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# ***JPRS Report***

CHINA

# **China**

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## CHINA

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XI ZHONGXUN ADDRESSES NEI MONGGOL ANNIVERSARY MEETING

0W011814 Beijing XINHUA Domestic Service in Chinese 0740 GMT 31 Jul 87

[Speech by Politburo member Xi Zhongxun at 31 July meeting celebrating 40th founding anniversary of Nei Monggol Autonomous Region]

[Text] Hohhot, 31 Jul (XINHUA)--Comrades:

As the people of all nationalities are jubilantly celebrating the 40th founding anniversary of the Nei Monggol Autonomous Region and also the 60th founding anniversary of the Chinese PLA, we of the central delegation led by Comrade Ulanhu, entrusted by the CPC Central Committee, the NPC Standing Committee and the State Council, have come to this ancient city of green at the foot of the Daqing Shao to extend warm congratulations and cordial greetings to the peasants and herdsmen, workers, intellectuals, cadres and patriotic personages in all walks of life of various nationalities in Nei Monggol and to all commanders and fighters of the PLA units stationed in Nei Monggol and of the Nei Monggol Armed Police Corps!

Situated in the northern frontier of the great motherland, Nei Monggol occupied a very important strategic position. The Monggol nationality and other nationalities living here are all industrious, courageous and intelligent nationalities, boast a long history and culture and glorious revolutionary traditions and have made vital contributions to the unification of the motherland and the development of the Chinese nation. Following the founding of the CPC, the people of all nationalities in Nei Monggol, under the leadership of the party and together with the people in the rest of the country, waged a relentless struggle against the "three big mountains" [imperialism, feudalism and bureaucratic capitalism], thus writing an epic of heroic and moving deeds. While the flames of the people's war of liberation were raging on, our party, acting in accordance with the actual situation in Nei Monggol and in China at the time and applying the Marxist theory of nationalities in a creative way, founded the first nationality autonomous region in China, which opened a new era in the history of Nei Monggol. It also set a good example for solving the problem of minority nationalities in China by the approach of establishing regional autonomy of minority nationalities.

Nei Monggol Autonomous Region has traversed a glorious course in the 40 years since its founding. Before the founding of new China, the autonomous regional party committee and people's government had led the people of all nationalities in the region to act in close coordination with the PLA in waging armed struggles, playing an important role in realizing the great victory of the people's war of liberation and in the founding of the PRC. After the founding of new China, the region created valuable experiences in practicing regional autonomy of minority nationalities, training cadres of minority nationalities, implementing the party's policies on nationalities, religions and united front work and building and developing new forms of relations among different nationalities. In the course of democratic reform, socialist transformation and socialist construction, Nei Monggol Autonomous Region, in keeping with the major policies of the party and state, adopted with courage and insight a series of principles and policies that accorded with the regional and nationality characteristics of New Monggol. During the democratic reform in the pastoral areas, it enforced the policy of "no struggle, no division and no class classification" and the policy that "benefited both the herdsmen and herd owners." During socialist transformation, it practiced the policy of buying out the herd owners and persisted in the principle of appropriate relaxation which would remain stable and unchanged for a long time. In its efforts to develop the economy in the pastoral areas, it laid stress on "placing the development of animal husbandry on top of everything else." Practice proved that all these policies and measures were correct and successful and that they effectively promoted the political, economic and cultural development in Nei Monggol Region. During the chaotic decade of the "Cultural Revolution," Nei Monggol, like the rest of China, suffered untold calamities. In spite of the very difficult situation at the time, the people of all nationalities in Nei Monggol always unwaveringly had confidence in the CPC, socialism and the great motherland and made arduous and tremendous efforts to defend and build up the frontier region. Since the 3d Plenary Session of the 11th CPC Central Committee, Nei Monggol Autonomous Region has made serious efforts to set things to right, redress injustices and implemented various policies, thereby safeguarding and developing the political situation of stability and unity. It has seriously carried out the policies of reform and opening to the outside world and made tremendous achievements in the drive for material and spiritual civilization and in building the legal system, significantly raising the living standards of the people of all nationalities both materially and culturally. Now, Nei Monggol Autonomous Region has entered once again a renaissance in its history. Going all out and working in unity, the various nationalities are embarking on their new journey with a new look.

Development of social productive forces is a central task ahead of all other work for the whole country and for Nei Monggol. Nei Monggol has a vast area and abounds in resources with "grain farming in the south, animal husbandry in the north, forests in the east, iron deposits in the west, and coal reserves everywhere." There exists very great potential for development. Moreover, it is adjacent to seven provinces and one autonomous region of northeastern, northern, and northwestern China, close to relatively economically developed Huabei Pingyuan and Dongbei Pingyuan, and not distant

from such big and medium cities as Beijing, Tianjin, Shenyang, Changchun, Harbin, Lanzhou, and Yinchuan. It also provides a land route for travel from our country to the Soviet Union and Eastern Europe. That is, it has a rather good geographic condition. In developing various construction projects, it is necessary to proceed from these actual conditions and see to it that the cardinal policies and principles of the party and state materialize in Nei Monggol and that its favorable geographic and resource conditions are turned into economic advantages. Animal husbandry and forestry constitute the traditional economy of the Mongolian and the other minority nationalities. They are not only the two dominant productive undertakings of this autonomous region, but also occupy significant positions nationwide. Speeding up the development of animal husbandry and forestry is important to the prosperity of various nationalities in Nei Monggol, the maintenance of ecological equilibrium in northeastern, northern, and northwestern China, and the acceleration of the "four modernizations" program. In view of this, animal husbandry and forestry must be put in a very important place. Pastoral areas should persist in taking animal husbandry as their main task with grass growing as the first thing to be done. Forest areas should persist in taking forestry as the main task. In developing forestry, they should consider it as fundamental work to build forests and should combine afforestation with lumbering. We should see to it that Nei Monggol is built into a major livestock and forestry production base of our country. In the meantime, efforts should be made to develop diversified operations based on conditions available so as to make all-around development. Grain production, which governs the autonomous region's economic development, should be grasped more firmly and earnestly. Good work should be done in building production bases for commercial grain, cooking oil, and sugar. Industry should be based on local resources. Processing industries relying on forestry, animal, and farm products as principal raw materials should be developed in a planned way. At the same time, positive efforts should be made to develop such basic industries as energy and transportation as well as raw and semifinished materials industries, including steel and rare earth industries. Importance should be attached to the development of village and town enterprises, and attention paid to bringing the important role of cities into play in the development of the commodity economy. The favorable proximity to big and medium cities in northeastern, northern, and northwestern China should be fully exploited in developing lateral economic ties on a voluntary and mutually beneficial basis with a view to obtaining capital, technology, and competent workers from outside to invigorate this autonomous region's economy. Meanwhile, all-out efforts should be made to develop education, science, technology, culture, public health, sports, and other undertakings in order to quicken the development of intellectual resources and the training of qualified personnel and to ceaselessly raise the quality of the people of various nationalities in terms of their scientific and cultural knowledge. In sum, the economic and social development strategies should be formulated on the basis of Nei Monggol's actual situation by bringing into full play its strong points while sidestepping its shortcomings. For different localities and different categories of production, specific development policies should be established. In addition, it is necessary to reasonably arrange various categories of production so that they will support and promote each other and achieve coordinated development.

In order to develop the productive forces and the various projects in construction, we must uphold the four cardinal principles and advocate the general principles and policies of carrying out reform, opening to the outside world, and invigorating the domestic economy. All this reflects the two essential points of the line which has been in force since the 3d Plenary Session of the 11th CPC Central Committee. On the basis of Comrade Deng Xiaoping's ideas, Comrade Ziyang has time and again stressed recently: "the two aspects are a unity. Neither should be emphasized at the expense of the other. Only the combination of the two expresses the whole of the line since the 3d Plenary Session of the 11th CPC Central Committee and forms the basis for socialism with Chinese characteristics that is vibrant, real, and scientific." Comrade Deng Xiaoping pointed out: "The core of the four cardinal principles is socialism and the leadership of the party. They are the basic things that we need to build the country and unify all the people in the country." He also said: "In a large country like China, without the leadership of the Communist Party of China, the country would fall apart and nothing could be achieved." Nei Monggol's experience in carrying out revolution and construction also proves that this is an irrefutable truth. Without the CPC leadership there would be no new China, and there would be no modern Nei Monggol. Only by following the party's leadership and the socialist path will the various nationalities achieve common development and prosperity. To carry out reform, open to the outside world, and invigorate the domestic economy is our objective need in increasing vitality, raising efficiency, shipping up enthusiasm, and accelerating the development of the social productive forces. It determines the rise or fall of a country and a nation, and decides the success or failure of the socialist cause. Only by persistently carrying out reform, opening to the outside world, and invigorating the domestic economy will it be possible to fully demonstrate the superiority of socialism and to build socialism with Chinese characteristics. The Nei Monggol Autonomous Region is able to score such tremendous achievements precisely because it has advocated the policy of carrying out reform, opening to the outside world, and invigorating the domestic economy. We earnestly hope that in the course of deepening the economic reform and carrying out the reform of the political structure, which has already been listed as an important item on the daily agenda, Nei Monggol will be able to maintain close touch with reality, boldly explore things, and score even greater achievements. We earnestly hope that people of the Mongolian nationality, Han nationality, and other nationalities in Nei Monggol will bring into full play their fine traditions, uphold the ideas of reform, strengthen their concept of commodity economy, do away with the situation of seclusion and semi-seclusion, and orient themselves to serve the whole country and the world. We also hope that they will study advanced science and technology, broaden their knowledge in management, improve themselves intellectually, and strive to become a nationality that opens to the whole country and continuously forges ahead.

To exercise regional national autonomy is the basic policy in solving China's nationality issues. The "Law on Regional National Autonomy" is a basic law of the state. To exercise regional national autonomy is to let minority nationalities truly become masters of their own affairs, permit

the autonomous organs truly to exercise their autonomous rights, and bring into full play the enthusiasm of the people and those localities where national autonomy is being exercised. The party Central Committee, the NPC Standing Committee, and the State Council are unanimously concerned with the implementation of the "Law on Regional National Autonomy," hoping that Nei Monggol will offer new contributions in this connection. Efforts must be made to link the guidelines laid down in the "Law on Regional National Autonomy" with the region's own political, economic, cultural, and nationality characteristics; to formulate rules and specific regulations in exercising autonomy; and to earnestly implement such rules and regulations. An important aspect in the implementation of the "Law on Regional National Autonomy" is to do a good job in tackling the issues of economic rights and interests. The autonomous region must enthusiastically support and help the various departments at the central level to explore natural resources and run enterprises in the region; organize the relevant departments and the masses to render various services; actively develop lateral relations with enterprises under the administration of the central government; and quicken its pace in rendering services and forming associations. The relevant departments at the central level and the enterprises, undertakings, and units which they set up in various localities where national autonomy is being exercised should take into consideration the local characteristics and the special features of the minority nationalities in working out measures for implementing the "Law on Regional National Autonomy" and in dealing with the issue of economic rights and interests between them and the areas where national autonomy is being exercised. They must also help develop local economy and assist the local people to become well-to-do by training local people and giving them technical support. Another important aspect in implementing the "Law on Regional National Autonomy" is to train cadres of minority nationalities and bring their role into full play. While upholding the policy of making the contingent of cadres more revolutionary, younger in average age, better educated, and professionally more competent, we must pay full attention to training more party and government administrative cadres--as well as professional and technical personnel at various levels and in various academic fields--in order to keep pace with the rapid economic and cultural developments.

Whether the task is construction or reform, there must be an environment of social stability and national unity. Nei Monggol is a region where Mongolian people live in compact communities, as well as an area inhabited by different nationalities. Maintaining the unification of the motherland and strengthening the unity of various nationalities are prerequisites and guarantees for making smooth progress in the "four modernizations" drive, achieving common development and prosperity of all nationalities, and making a success of every work. The people of all nationalities in Nei Monggol warmly love the motherland, the party, and socialism and have the glorious tradition of upholding unification and opposing splittism. All victories scored in the past resulted from the united hard work done by the people of all nationalities. Our cause in the future requires even more that people of all nationalities strive in unity and work hard together. During the new historical period, we should make less efforts to consolidate and develop new socialist relations among different nationalities and to

further strengthen the unity of the people of all nationalities. Among cadres and masses of various nationalities, it is imperative to conduct on a constant basis and in a thoroughgoing way education on the Marxist view of nationalities, the policy on nationalities, and the need for unity of all nationalities, as well as education about warmly loving the socialist motherland and safeguarding its unification. Great efforts should be made to commend those advanced collectives and individuals that have contributed to the unity and progress of various nationalities and earnestly sum up and disseminate their advanced deeds and experiences. We should deal with problems concerning relations between different nationalities in a prudent and reasonable manner by seeking truth from facts and persist in using educational and persuasive methods to promptly eliminate every negative factor harmful to the unity of various nationalities. It is imperative to strive to create an environment and atmosphere of affection, trust, democracy, and harmony, and fully mobilize the initiative of the people of all nationalities to build up Nei Monggol.

In order to promote the program of the four modernizations and all reform undertakings in Nei Monggol, cadres of all nationalities and at all levels throughout the region are shouldering a particularly heavy responsibility. Accordingly, our vast number of cadres must strive to raise their level of leadership and work proficiency. It is hoped that our comrades will study more painstakingly Marxism-Leninism-Mao Zedong Thought, the series of important speeches made recently by Comrade Deng Xiaoping and Comrade Zhao Ziyang, the relevant documents of the central authorities and will enhance the consciousness of all-around implementation of the line since the 3d Plenary Session of the 11th CPC Central Committee. It is necessary to firmly grasp the "two basic points" and incessantly overcome and eliminate the influence and interference of bourgeois liberalization and ossification. It is also necessary to carry forward the fine workstyle of integrating theory with practice and persist in reasonably solving the new problems appearing in the course of the "four modernizations" program, reform, and opening to the outside world by proceeding from reality and seeking truth from facts. Party committees at all levels should strengthen collective leadership and keep to democratic centralism. All departments and units should set up their work plans based on their own functions and duties. Before a policy decision is made, they should give full play to democracy and extensively listen to the opinions of all quarters so as to pool the wisdom of all. After a policy decision is made, it is imperative to abide by discipline and earnestly carry out the decision. Our cadres should make a positive effort to carry forward the party's fine tradition of trusting the masses, relying on the masses, and forging close ties with the masses. They should truly "do the work of officials but without the airs of officials" and serve the people wholeheartedly. They should properly exercise the power they are holding, do something really in the interest of the masses, raise their work efficiency, improve their work quality, take the initiative in accepting criticism and supervision by the masses, and resolutely oppose bureaucracy and abuse of power for selfish ends. We should persist in the principle of dealing with all comrades on an equal footing regardless of their origins, and should step up unity with our cadres whether they are

cadres of own locality or from other places, whether they are Han or minority cadres, or whether they are local or army cadres. In handling affairs and pondering questions, everyone should take the overall interests into consideration, pay attention to displaying the proper style, and think of the interests of the masses in all aspects and in everything. Only thus can our cause prosper and flourish and no difficulty or setback, no matter how great, can obstruct our advance. Only thus is it possible to unite and lead the masses more successfully to achieve still quicker and better results in carrying out the "four modernizations" and various reform undertakings of this autonomous region.

At present, China's socialist modernization program is developing vigorously, and the work of reform and opening to the outside world is proceeding in depth. It is the hope of the central authorities that the all Communist Party members, CYL members, cadres and masses of all nationalities, patriotic people of all walks of life, and commanders and fighters of PLA units in the Nei Monggol Autonomous Region will continue to exert themselves with one mind and work hard together in an effort to perform more brilliant deeds for building a united, affluent, and civilized Nei Monggol and for building socialism with Chinese characteristics!

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POLITICAL

YOUTH PAPER PROMOTES POLITICAL STRUCTURAL REFORM

HK051450 Beijing ZHONGGUO QINGNIAN BAO in Chinese 21 Jul 87 p 3

[Article by Wu Wei (0702 0251): "Political Structural Reform Is an Objective Demand of the Socialist Cause"]

[Text] The failure to concentrate forces to develop the economy and to earnestly build democratic politics constitutes a severe historical lesson in the development of China's socialism. Following the 3d Plenary Session of the 11th CPC Central Committee, our party shifted the focus of its work onto the modernization program. As a result, the building of socialist democracy and politics developed remarkably. Nevertheless, these are just initial achievements. The gradual development of the economic and social situation and the ongoing economic structural reform and other reforms have in particular set higher demands and pressing tasks on the building of socialist democracy and politics in China. It is manifested in the following: Reform has promoted the development of productive forces and led to a series of profound changes in economic and social life, work methods, and state of mind. These changes will inevitably give rise to changes in the political field (superstructure) and push forward the building of socialist democracy and politics through political structural reform. Specifically speaking, the necessity of political structural reform is indicated in the following:

First, unless we carry out political structural reform, it will be disadvantageous to increasing efficiency, eliminating bureaucratism, and ensuring and promoting the rapid development of the socialist modernization program. China is now at the initial stage of socialism. The central task at this stage is to develop productive forces and carry out the socialist modernization program. However, as far as China's current political system is concerned, there are the problems of overstaffing administrative organs, overlapping organizations, inefficiency, serious bureaucratism, party and state organs lacking vitality, overconcentration of power, imperfect regulations, and failure to define competence. These malpractices have hindered the further development of China's social productive forces and have become the main obstacle to the socialist modernization program. The development of the situation urges us to correct these malpractices. Only by establishing a political system that can increase efficiency, invigorate the party and state, and arouse the initiative of the masses through reform can we effectively ensure and promote the development of productive forces and manifest the superiority of socialism.

Second, "unless we carry out political structural reform, it will be difficult to ensure the achievements of economic structural reform and push economic structural reform forward." (Deng Xiaoping: "On Building Socialism with Chinese Characteristics") With the deepgoing development of economic structural reform and the rapid development of a planned socialist commodity economy, independence of economic entities will become an inevitable trend. Hence, separation of functions of the party and government and of the government and enterprises, delegation of power, and implementation of the system of factory director (manager) assuming sole responsibility will be required. Moreover, when enterprises have become relatively independent operators of commodity production, the operation of enterprise will be closely related to the workers' benefits. Consequently, the workers will demand democratic management of enterprise operation and democratic supervision of the activities and policy decisions of enterprise leaders for the sake of realizing their legitimate rights. For this reason, reform of the political structure will be necessary to ensure and extend the decisionmaking power of enterprises and basic level units and develop democracy in the economic and political life at the grass-roots units.

Third, unless we carry out political structural reform, it will be difficult to reflect and coordinate the interests of various fields in society and to fully arouse the initiative of the masses. Under the conditions of socialism, the long-term interests of the people are identical with their fundamental interests. However, this does not rule out the varying specific interests of the people under the concrete conditions of various localities, departments, and professions. This has become obvious with the development of reform and a socialist commodity economy. Interest groups of various forms have taken shape and developed. To ensure the sustained and steady growth of the economy and maintain the long-term social stability and unity, we must acknowledge the gaps and even contradictions in people's benefits. Through political structural reform, we should give full play to the role of social and mass organizations, coordinate the interests of various fields, and arouse the initiative of the masses.

Fourth, unless we carry out political structural reform, it will be difficult to satisfy the increasing sense of democracy of the masses, meet their request to take part in state and social management, and build socialist democracy and politics. With the development of our national economy and cultural and educational cause, the improvement of the people's living standard and educational level, and the change in political and cultural ideas, the consciousness and sense of the citizens in taking part in political affairs will be enhanced gradually. China's social development over the past 30 years or so since the founding of the PRC and particularly the decade after the downfall of the "gang of four" has proved this point. This tendency will be apparent in the development of China's socialist construction ahead. The social strata and people among the citizens who want to take part in state and social management in an equal capacity will gradually increase. Therefore, it is necessary to reform and perfect the existing mechanism for participating in political affairs, open channels for conversation, improve the system of democratic election and social supervision,

"fully develop people's democracy, ensure the people's right to manage the state organs at all levels as well as the various enterprises and institutions, and guarantee to our people the full enjoyment of their rights as citizens." ("Selected Works of Deng Xiaoping")

In a word, the reform and perfection of the political structure is the objective demand ensuring China's sustained and steady development. It will also become a pressing task with the rapid development of economic structural reform.

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## YUAN BAOHUA ON CONTRACT RESPONSIBILITY SYSTEM

HK150420 Beijing JINGJI RIBAO in Chinese 26 Jun 87 p 1

[Interview with Yuan Baohua, minister in charge of the State Economic Commission, on the contracted management responsibility system by unidentified reporters on 24 June]

[Text] On 24 June, Yuan Baohua, minister in charge of the State Economic Commission, answered reporter's questions on problems to be solved in implementing the contract management responsibility system. The question-answer session was as follows:

[Reporter] What is the current situation in the nationwide implementation of the contract management responsibility system?

[Yuan Baohua] The Fifth Session of the Sixth NPC held this year fully affirmed the contract management responsibility system. In April, under the instruction of State Council, the State Economic Commission held a forum on the contract management responsibility system and made specific arrangements for its implementation. Now all localities are enthusiastically implementing the contract management responsibility system. The momentum is good and the development sound. It has been implemented over large areas throughout Jilin Province. In Shanxi Province, 1,498 state-owned enterprises covered by the state budget have introduced various forms of the contracted management responsibility system; in Hunan Province, of its 1,747 state-owned enterprises covered by the state budget, 641 have implemented the contract system; and in Liaoning Province, while a number of enterprises have carried out the contract system as planned, a small number of enterprises are designated to conduct experiments in carrying out a share owing system and leasing management. According to the statistics of 11 provinces, autonomous regions, and cities, by mid-June, more than 36 percent of large and medium-size enterprises under the system of ownership by the whole people have implemented different forms of the contract management responsibility system. Many provinces and cities are checking the implementation of the contract management responsibility system in enterprises one by one. Generally speaking, the contracted management responsibility system has been carried out fairly rapidly and steadily, with good results. Its implementation has played a role in deepening enterprise reform and accelerating the "double increase, double economy" drive.

[Reporter] What problems should be solved in implementing the contracted management responsibility system?

[Yuan] The first problem to be solved is that of unifying people's understanding. The invigoration of enterprises should be regarded as the central task and the implementation of the contract system in enterprises as an important part of the effort to deepen enterprise reform and perfect enterprise operating mechanisms. In our practical work, efforts should be devoted to solving the following problems.

1. Rationally define contract base figures and ensure the steady growth of the revenues of central financial authorities. This is an important thing, vital to the overall situation. One of the major objectives of deepening enterprise reform is to ensure the successful completion of this task. Contract base figures and quotas to be handed over to the state should be rationally appraised and decided on. When appraising and deciding the base figures, we should ensure that enterprises will benefit more from the portion in excess of the set quotas and not count on the state for more tax exemptions and profit concessions.
2. Guard against the undesired expansion of consumption funds. With regard to wages and bonuses, enterprises practicing the contract management responsibility system should follow relevant state regulations and pay attention to the following points: 1) The growth of total wages should be linked with economic results; 2) different ratios should be set for the portion of retained profits to be used as consumption funds according to the profit-retaining levels of different enterprises and no enterprises shall exceed them; 3) the enterprises should pay bonus and regulatory taxes to the state according to state regulations; and 4) in bonus distribution, it is necessary to take into account past experiences and the situation that may possibly arise in the future, set aside some bonuses for reserves or to make up for lean years so that the employees' incomes will increase steadily.
3. Strengthen guidance over the use of funds officially owned by enterprises. After an enterprise carries out operations under contract management, its officially owned funds will increase. Therefore, it has the conditions necessary for reinvestment. Hence, there is a problem of controlling the direction of investment in fixed assets, which calls for macroeconomic guidance. As far as enterprises are concerned, their officially owned funds should be used mainly in the state-approved technological transformation projects; as for competent departments, they should do a good job in working out development plans for all trade and guide enterprises under their jurisdiction in investing more of their funds in key development projects needed by the state. In doing this they should use more economic levers and try to protect the decision-making power of enterprises as much as possible.
4. Ensure product quality and prevent unauthorized price hikes. With the introduction of the contract system, enterprises should improve their product quality by mainly relying on tapping their internal potential and boost their revenues by reducing material consumption rather than relying on arbitrarily

jacking up prices or raising prices in a disguised form and shifting burdens onto others, a practice which will infringe upon the interests of the state and consumers. To strengthen supervision, inspection, and auditing, the requirements in this regard should be included in contracts.

5. Ensure that "there is a contract system but not rigidity." After the enterprises adopted the contract system, when there are major readjustments in the state's economic policies (such as quite big readjustments in taxes, tax rates, and the prices of products under mandatory planning) and when enterprises find it difficult to withstand the readjustments or they benefit excessively as a result, their contracts should be readjusted accordingly. Except for this, enterprises are, in general, supposed to adapt to the changed situation.

6. Attention should be paid to the stability and continuity of policies. Generally speaking, the time limit of the contract system should last to 1990. This will help enterprises overcome their short-term behavior. The contracts of some large and medium-size key enterprises should converge to the state's 5-year plan and the enterprises' tasks as prescribed by their contracts should accord with the state's economic construction and development. This will enable enterprises to work out their own plans for the long term and enable the state's plan for economic development to be implemented right down to the grass roots.

7. Combine the implementation of the contract system with the reform of the enterprise leadership structure. To have the right persons to really assume responsibility under any kind of contract management responsibility system it is necessary to implement a system under which a factory director assumes full responsibility or a system under which a factory director is held responsible for the attainment of certain objectives during his tenure and under which the performance of an enterprise is subject to supervision through auditing at the expiration of the director's term.

[Reporter] How should we approach the fact that the contract management responsibility system should be carried out on the basis of replacing profit deliveries with tax payments?

[Yuan] The contract management responsibility system now being promoted is already conducted on the basis of the second phase which replaces profit deliveries with tax payments in the following ways: 1) Circulation taxes such as the product tax are not included in the contract base figures; these taxes will continue to be paid as usual; 2) the contract base figures concerning profits to be delivered by enterprises to the state are generally determined according to the actual figures of the income and regulatory taxes enterprises delivered in 1986; and 3) the relationship of this contract management has nothing to do with the existing fiscal allocations between the central and local authorities. Where a province or autonomous region assumes complete fiscal responsibility and receives fixed amounts of subsidies, there is only a fiscal allocation relationship between enterprises and local authorities. Where a province or city shares fiscal revenues with the central authorities

according to fixed proportions, there is generally "reform launched at one's expenses," in other words, the portion of profits to be delivered to the central financial departments will be calculated according to the methods laid down for the second phase of the replacement of profit deliveries with tax payments. The portion of above-norm profits which should go to enterprises should be made up using the profits retained by local authorities. Because they lacked an understanding of the real situation, failed to correctly understand the notion that "a contract system should be carried out on the basis of replacing profit deliveries with tax payments" as they invariably approached things from a point of view of putting finance above everything else, or set the two against each other, some comrades virtually made local authorities more worried about pursuing contract management. This is detrimental to the deepened reform and the continued development of the "double increase, double economy" drive.

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CSO: 4006/845

## GUANGMING RIBAO ON REFORM OF OWNERSHIP

HK271105 Beijing GUANGMING RIBAO in Chinese 11 Jul 87 p 3

[Article by Wu Zhenkun (0702 2182 0981) and Zeng Guangcan (2582 1639 3503): "Several Questions of Understanding Concerning the Reform of Ownership in China"]

[Text] In the last 8 years, the reform of ownership in China has made numerous breakthroughs and great successes but at the same time, there are some questions of understanding calling for study and discussion.

1. Is Ownership Characterized in the Initial Stage of Socialism by "Being Large in Size and Collective in Nature" or by Diverse Economic Sectors With Public Ownership as the Core?

Since the 3d Plenary Session of the CPC Central Committee, we have made great successes in ownership reform by following the law that the relations of production should accord with the productive forces and consequently, there are significant changes in two aspects of ownership. One is that the social structure of ownership has significantly changed, transforming from the basically unitary system of ownership into a pattern characterized by diverse economic sectors with public ownership as the core and the other is that the internal structure of ownership has significantly changed and diversification of methods of management has been achieved on the basis of separating ownership from management power.

All these changes mean that we have smashed the traditional pattern of ownership of "being large in size and collective in nature." First, the traditional pattern of exercising only public ownership in a socialist society has been shattered and different economic sectors have been allowed to coexist for the long term with public ownership as the core. Second, the traditional pattern that socialist ownership can have only to forms has been broken down and ownership forms diversified. Third, the traditional concept of making a single ownership one hundred percent pure has given way to the system of ownership by the whole people under which collective and individual sectors are a part. Fourth, the traditional concept of transition from small-scale collectivization to large-scale one and from large-scale collectivization to the system of ownership by the whole people has been replaced in favor of a direction where the system of ownership by the whole people and other forms of public ownership

can move into the future social ownership on their own courses or on a combined or crisscrossed course. Fifth, the traditional concept that state-owned enterprises can only be run by the state has been smashed and ownership and management power duly separated and on this basis, diversified methods of management have been introduced in state-owned enterprises.

"The Decision of the CPC Central Committee on Reform of the Economic Structure" clearly pointed out: It is necessary to "set whether the reform facilitates the development of productive forces as the most important criterion for assessing the success or failure of all reforms." The above-mentioned drastic changes completely accord with the requirements of the development of productive forces in our country. Our country is still in the initial stage of socialism and the level of its productive forces still low. Our structure of productive forces is multilayered and imbalanced. There is a wide difference in the level of productive forces between different sectors of the national economy, between different localities, and between different departments. This state of productive forces in our country determines that China has a diversified ownership structure.

However, diversifying the ownership structure does not necessarily mean negating the position and role of socialist ownership. On the contrary, in carrying out ownership reform, we should uphold the principle of maintaining the leading position of socialist ownership. Through reform, although the proportion of various forms of ownership has changed, generally speaking, the economy based on socialist ownership still occupies a leading position. While persisting in the premise of keeping socialist ownership in the first place, we have upheld the principle of taking the system of ownership by the whole people as the leading factor. The economy under the system of ownership by the whole people is the most important base of ownership for carrying out socialist modernization, completing the targets of socialist production, and implementing socialist planned management and the decisive condition for ensuring that the economy under the system of collective ownership will forge ahead toward the direction of socialism, the economy under the system of individual ownership and other supplementary economic sectors serve socialism, and that the development of the national economy as a whole will correspond to the overall and long-term interests of the entire people. Marx pointed out: "In all social formations, there is production in a certain field that dominates the position and influence of production in all other fields and therefore its relations also dominate the position and influence of all other relations. This is a kind of light illuminating all things and all other colors will fade and their characteristics change in its presence." ("Selected Works of Marx and Engels" Vol 2, p 109) Our country's system of ownership by the whole people or state ownership is exactly the light that illuminates the whole national economy. Its leading position in the national economy is unshakable.

## 2. Does Diversification of the Ownership Structure in Our Society Mean Retreating to the Situation in Which Diverse Economic Sectors Coexisted During the Transition Period?

During the transition period, there were five economic sectors coexisting simultaneously. Judging from society as a whole and the nature of ownership, there are 10 economic sectors in our country at present, namely, ownership by the whole people, collective ownership, cooperative ownership, mixed ownership by economic associations, ownership by publicly-owned joint-stock companies, institutional ownership (the above six categories of ownership belong to public ownership), individual ownership, private ownership, semi-socialist ownership (Sino-foreign joint ventures), and foreign capitalist ownership (wholly foreign-owned enterprises). China's diverse economic sectors prevailing at present are entirely different from those during the transition period in terms of their proportion, position, and role in the national economy and the same is true of their interrelations.

First, during the transition period, the capitalist sector of the economy played a considerable part in the national economy and the economy based on socialist public ownership had not yet held a predominant position but now the capitalist economy has long been transformed into an economy under the system of ownership by the whole people. Together with the economies under the other ownership systems, the latter occupies a predominant position in the national economy.

Second, at that time there were numerous privately-run handicraft businesses and small traders and peddlers in the cities and towns and the small-scale peasant economy dominated the rural areas but now self-employed workers have basically embarked on the movement to form cooperatives, and the economy under the system of collective ownership has long become the basic form of socialist economy.

Third, our current individual economy is also vastly different from that during the transition period when it was an important economic sector attached to the capitalist economy and moreover, it held a considerable proportion in the national economy and self-employed workers formed the majority of the nation's working population but now the individual economy is a supplementary economic sector attached to the socialist economy and a necessary and useful supplement to the economy based on socialist public ownership and its proportion in the national economy is next to nothing and furthermore, self-employed workers constitute a meager proportion in the nation's total working population.

Fourth, though there is the problem of exploitation with regard to the Sino-foreign joint ventures and wholly foreign-owned enterprises currently operating in China, being a supplement to the socialist economy, they can hardly undermine the socialist economy based on public ownership. In a Sino-foreign joint venture, foreign capital only constitutes a half of its total capital and the other half goes to our socialist sector of the economy or it is at least semi-socialist in nature. We can earn income from taxing wholly foreign-owned enterprises and learn technology and managerial expertise from them. This does no harm to socialist ownership.

The above facts show that the current development of diverse economic sectors is necessary for advancing socialism further and on no account does it mean a retrogression to the new-democratic economy prevailing in the early days of the founding of the PRC when socialist public ownership had not held a predominant position in the urban and rural areas. It must be acknowledged that the socialist transformation of private ownership in our country has been successful on the whole. The relatively smooth completion of such a complex, difficult, and thorough social change in a big economically backward country with a population of several hundred million people like ours is indeed a great, historic victory. Our problem is not that whether such a transformation is needed but that we carried out the transformation too thoroughly. At that time Comrades Liu Shaoqi and Chen Yun proposed that with the completion of socialist transformation, some privately run small enterprises and individual economy be retained as a necessary supplement to the socialist economy. Confined by the then traditional pattern, "leftist" ideology began developing among some people. They attempted to establish an economy based exclusively on socialist public ownership. The correct proposal of the two persons was not accepted.

3. Has the Rural System of Contracted Responsibilities on a Household Basis, With Payment Linked to Output "Damaged the Base of the Collective Economy" or has it Invigorated the Collective Economy?

Before the reform, the people's commune system characterized by "three-level ownership by the commune, the production brigade, and the production team, with the production team as the basic accounting unit" was practiced in the Chinese countryside. The commune system was too concentrated. This was manifested in four ways: the means of production were highly concentrated (almost all were transferred to public ownership) and this holds true for management and operation, deployment of manpower, and distribution of income. The four concentrations caused the two major problems of "doing things with a great flourish" while working and of "everybody eating from the same big pot" in regard to distribution, seriously hampered the peasants' enthusiasm for production, and impeded the development of the productive forces in agriculture.

The system of contracted responsibilities on the household basis, with payment linked to output created by the broad masses of peasants through many years of exploration has solved the question of four concentrations and the resulting two major problems and harmonized the relationship between peasant individuals and collectives. In carrying out the household contract system, what is the most important is to link the household economy to the cooperative economy so that the latter will have two facets of management, unified and separate. This two-facet management system both correlates the relative backwardness of our country's agricultural productive forces and plays a role in bringing society's existing productive forces into play. Instead of violating the notion that socialist agriculture should be developed in a planned way, the system can meet the needs of agricultural production for adaptations to changed conditions and independent policy making and moreover, it can also make full advantage of the superiority of the cooperative economy and fully develop the enthusiasm of all members of numerous peasant families. Therefore, the two-facet management system is the main feature of the rural cooperative economy at the present stage in our country.

The household contract system and the resulting two-facet management system have shattered the traditional concept of transferring all means of production to public ownership and under the system the peasants are allowed to own some means of production. However, as the most fundamental means of production in agricultural production, land is still collectively owned. This is of decisive significance, because in judging the nature of the household contract system, most fundamentally, we should see who owns the land, this most fundamental means of production. Under the household contract system, as the general contract holder, the cooperative economy contracts out the publicly owned land to the households of cooperative members [She Yuan Hu 4357 0765 2073] for separate management and the contractors maintain a basic internal relationship with the cooperative economy on the basis of public ownership of land. This fundamentally helps guarantee the socialist nature of the cooperative economy characterized by the household contract system and the two-facet management system.

The household contract system is the most effective form of separating ownership from management power on the basis of public ownership of the basic means of production, such as land. In terms of form, household management means separate management by each family. It appears to be both small-scale production by private individuals and individual farming. In essence, household management is the organic part of the cooperative economy based on public ownership of land the cell of the cooperative economy. Therefore, household management means transfer of management power rather than ownership and a change in the methods of management based on separation of ownership from management power.

Practice over the last few years shows that the household contract system has invigorated the collective economy rather than "damaging" its base and thus tremendously developed agricultural production, helped the peasants become prosperous gradually, and profoundly changed the face of the countryside as a whole.

Is the Practice of the Contracting and Leasing Management Systems by Enterprise Under the Ownership by the Whole People "promoting Private Ownership" or Developing Public Ownership?

One important experience in the successful rural reform is harmonizing the relations between the peasant individuals and collectives and giving the peasants full decision-making power in operation on the basis of separating ownership from management power. The experiences gained in rural reforms are of universal significance in motivating the urban enterprises under the system of ownership by the whole people. The main orientation of the reform of enterprises under the system of ownership by the whole people must be, on the premise of preserving state ownership of the means of production, improving enterprise managerial mechanisms so that the enterprises become commodity producers and handlers capable of carrying their operations independently and assuming full responsibility for their profits and losses. What counts here is due separation of ownership from management power.

How can a good job be done in improving enterprise managerial mechanisms? Attention should be paid to solving the enterprises' two problems as enterprise reform deepens. One is with what methods of management can we arouse the enthusiasm of the managers and employees and the other is can we rationalize enterprise behavior. In other words, in the premise of not infringing upon the state's interests, we should enable the enterprises to carry out their operations independently and effectively. The reform practice over the last few years has proved that the contracting and leasing management systems practiced on the basis of separation of ownership from management power are two effective methods of management, with the former being suitable mainly for large and medium-size enterprises and the latter for small enterprises under the system of ownership by the whole people.

The contracting management system adopted by enterprises in China which is characterized by the due separation of ownership from management power, the intensification of the managers' responsibility, authority, and benefit, and the improvement of enterprise managerial mechanisms is a form of management under which the enterprises' responsibility in operation is fixed in the form of contracts. This fully demonstrates the principle of socialist economic interests and enables the vast numbers of employees to gain real benefits as the state's economy develops; demonstrates the principle of unity between fund raising and fund acquisition, helps enterprises to accelerate technological transformation and to make up, upgrade, and raise their assets in value through their own efforts and further ensures that the enterprises will develop and prosper and the state have ample financial revenues; and demonstrates the principle of ownership and management power being both interrelated and duly separated and combines development of a planned commodity economy with the consolidation and improvement of the system of ownership by the whole people, and thus ensures the enterprises' socialist orientation.

The practice of the leasing management system by enterprises under the system of ownership by the whole people or enterprises under the system of ownership by the collectives does not change the relationship of property ownership but it does change the form of the combination of ownership and management power. Under the leasing system, enterprises are leased out to the leasee for full management in accordance with the conditions prescribed by the contracts. It is a form under which ownership and management power are more thoroughly separated. Under the system, the leasee of an enterprise must pay a certain amount of leasing fees to the lessor, maintain his enterprise's capability to carry out reproduction or expanded reproduction, guarantee the interests of its laborers, and abide by state policies and decrees. On the premise of operating his enterprises well, the leasee is entitled to get a higher income but he must take necessary risks for his enterprise's performance. At the same time, there must be a rational income ratio between the leasee and the employees and any wide disparity in this regard should be avoided. Practice has proved that the leasing system is a feasible socialist mode of management.

In assessing the superiority of a certain form of relations of production, we should see if it accords with the requirements of the development of the productive forces. The relations of production which have been proved by practice to be able to promote the productive forces are progressive. The contracting and leasing management systems do not change the nature of the means of production being publicly owned but can promote the development of the productive forces. Therefore, practicing the contracting and leasing systems is developing public ownership rather than practicing private ownership and promoting socialism rather than practicing capitalism.

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## RENMIN RIBAO ON QUESTIONS OF CONTRACT SYSTEM

HK290243 Beijing RENMIN RIBAO in Chinese 24 Jul 87 p 5

[Article by Yan Xijing: "Several Questions on the Understanding of the Contract System"--passages within slantlines published in boldface]

[Text] /1. Can the contract system strengthen the government's administrative intervention in an enterprise?/

Some comrades think that the general practice of the contract system is for an enterprise to sign a contract with a responsible department of the government, and that means strengthening administrative intervention. In fact, a contract is a binding relationship, and both parties are equal before the law. The state organ cannot unilaterally change the condition of contract at its own will. This has changed the previous relationship, in which the enterprises were subordinates of the government, into an economic relationship of equality with mutual obligation. Enterprises only need to complete the contracted responsibility, and the State should not and does not have to interfere in the enterprises. At the same time, since the contract system has broken away from the practice of everybody eating from the same big pot, under the influence of the interest mechanism, the enterprises also have the inherent demand to resist administrative intervention. After the enterprise signs a contract, economic results speedily grow. With the support of mobile financial power, the enterprise does not have to wait for, depend on, and turn to the state for many things and this is where resistance to administrative intervention lies. Judging by the implementation of the contract system, since enterprises which have entered the contract system bear specific responsibilities, they have greater decision-making power in the matters of personnel, finance, materials, production, supply, and sales. This demonstrates that the implementation of the contract system has not strengthened but greatly weakened the government's administrative intervention in enterprises.

Of course, the present method of enterprises contracting responsibility from governmental departments is a temporary phenomenon of the coexistence of old and new systems. We will continue to perfect the contract system and will eventually find a better method. For example, in future the state will lay down the regulations of the contract system and the enterprises and governmental departments will follow the regulations. This will easily solve the problem between enterprises and the organs in charge.

/2. Will the contract system inevitably lead to the short-term behavior of enterprises?/

The so-called short-term behavior emerging in enterprises in recent years is not totally the responsibility of enterprises. The implementation of the contract system can control the occurrence of short-term behavior of enterprises.

As a profit-making economic entity, enterprises should not only emphasize short-term behavior; however, under an irrational system, so great a strain is placed on enterprises that they are unable to take care of long-term development. Profit to be turned in is fixed in the contract system, and this triggers enthusiasm for acquiring higher economic results and maintaining the growth of such results. Enterprises are bound to use a bigger portion of the profit as input in the reform and progress of technology, and will spontaneously handle well the proportional relationship between accumulation and consumption and between production and daily life. The mechanism inherent in this contract system can unify the interests of the three parties according to the principle of the integration of long-term and short-term benefit so as to control the occurrence of short-term behavior.

Whether short-term behavior will emerge in enterprises depends on the length of the contract. If the contract time is too short, say 1 or 2 years, appropriate operational mechanism of enterprises cannot be established, and it is then hard for the enterprises to pursue long-term benefit.

/Will the contract system cause decline in financial revenue?/

In the contract system, the amount to be turned in as financial revenue is fixed and the extra earned profit is totally at the disposal of the enterprises. This encourages enterprises to create more profit. When enterprises develop and prosper, state revenue will increase. Practice has demonstrated that for enterprises to enter the contract system guarantees stable income and growth of income for the state. For example, during the "6th Five-Year Plan," comparing 37 large and medium contracting metallurgical enterprises to the 73 non-contracting ones, the formers' profit and tax payments doubled, while the latter only increased it by 20 percent.

The general cause of the state's financial difficulty is the highly concentrated investment system. Financial departments first collect the profit of the enterprises then invest all in new projects, and hands stretch out from all directions to fight for the projects and demand investment, but none need be responsible for the results of investment. This system of investment simulating "eating from the same big pot" creates blind development and duplicate construction which causes poor investment results, the state financial revenue can hardly be ample. In implementing the contract system, the enterprises contracts not only the increase of revenue, but also their own improvement and development through self-accumulation. Thus, the main investment body shifts from the state to the enterprise, and the tasks in expanding social reproduction are shouldered by enterprises. This not only substantially reduces the

financial burden of the state but also greatly enhances investment results. As enterprise results improve, state revenue increases. This creates a positive cycle for the development of the enterprises and the increase of financial revenue for the state. For example, after the Capital Steel Corporation undertook contracts, it not only increased financial revenue by 11.53 percent each year but also added 1 billion yuan in state fixed assets from its own capital. Annual finished steel production has increased by 1,350,000 tons, equal to building a large steel plant. Annual saving of standard coal is 1.1 million tons, equal to saving the investment of building a medium-sized coal mine. We can see that the contract system is a way to fundamentally solve the financial problems of the country.

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## JINGJIXUE ZHOUBAO ON RURAL JOINT-STOCK ECONOMY

HK011501 Beijing JINGJIXUE ZHOUBAO in Chinese 14 Jun 87 p 7

[Article by Ren Lifu (0117 4559 1133): "The Present Situation, Roles, and Prospects of the Rural Joint-Stock Economy--Investigative Report on Wenzhou's Rural Joint-Stock Economy"]

[Text] Having been nurtured in the practice of commodity economy over the past 8 years, the vast numbers of Wenzhou's peasants are not satisfied with small-scale household industries, which have fairly crude and simple production methods. With the development of commodity economy and the strengthening of lateral economic association, a sizable portion of the household economy has gradually developed into the joint-stock economy. This has added new contents to the rural commodity economic structure in Wenzhou and further promoted the development of the rural commodity economy.

#### 1. Present Situation and Form

Wenzhou's rural joint-stock economy has developed fairly rapidly. There are now 35,100 joint-stock enterprises in the city's rural areas, accounting for 46.71 percent of the total number of township and town enterprises. Of this, the processing industry accounts for 52 percent, commercial service trade for 20 percent, farming and breeding trades for 12 percent, transport and communications for 9 percent, the building materials trade for 5 percent, and science, technology, and information trades for 2 percent.

Judging from the possession of property within the joint-stock economic organizations, the joint-stock companies in Wenzhou's rural areas have the following three principal forms:

1. The privately owned joint-stock enterprises, namely, the enterprises which are set up by a few individuals who raise the capital, which employ a large number of employees, and which engage in production and operational activities.
2. The cooperative-type joint-stock enterprises. All or most of the workers and staff members of these enterprises are stockholders. These enterprises are basically ones in which the stockholders jointly share interests and risks. The operations and management within the enterprises are carried out according to the requirements of cooperative enterprises.
3. The mixed-type joint-stock enterprises, namely, those enterprises consisting of the state and

the collectives, the collectives and the individuals, or the state, the collectives, and individuals. Because these joint-stock enterprises are set up according to the practical conditions in the locality and on the basis of equality, mutual benefit, and voluntary participation, they have fairly strong vitality.

## 2. Causes and Conditions for Their Emergence

The development of the rural joint-stock economy in Wenzhou has its objective necessity. First, the implementation of the system of contracted responsibility with remuneration linked to output, has extended the operational decisionmaking power of producers and brought their initiative into full play. The setting up of household industries, in particular, has enabled a large number of peasants to quickly accumulate funds and thus provided the necessary material conditions for the emergence and development of the rural joint-stock economy. Second, on the basis of keeping the macroeconomy under control and invigorating the microeconomy, the free flows of such production factors as capital, labor force, and technology, are permissible. This has provided an important condition and a relaxed environment for the emergence and development of the joint-stock economy. Third, many people have undergone long-term, practical training through engaging in production in household industries. This has provided highly trained people for the development of the joint-stock economy. Those capable persons who are good at organizing operational activities, in particular, have won the trust of the local people. This also accounts for the development of the joint-stock economy. Fourth, the development of industry makes it necessary to seek proper returns to scale. Operations by individual household industrial enterprises have their limitations because they cannot suit the need for development in terms of capital, labor force, and technology. But the joint-stock economy can overcome this defect and makes it possible to satisfactorily integrate individual initiative with the superiority of cooperation and to bring it into play.

## 3. Roles and Results

Although the rural joint-stock economy has existed in Wenzhou for only a short time, it has manifested many positive roles and yielded quite satisfactory results.

- 1) It has provided an effective economic organizational form for the gradual development of household industries and other individual economic sectors toward associations. The peasants do not welcome the previous unitary "cooperative pattern" of being "large in size and collective in nature." They are quite interested in the current joint-stock economy, which is established on the basis of voluntary participation and which consists of many economic sectors and forms.
- 2) It is conducive to the rational flow and collection of rural labor force, capital, and technology, and promotes the scale structure of rural industrial enterprises. According to investigations conducted on 30 joint-stock enterprises in five counties, including Cangnan, Ouhai, and Ruian, these

enterprises, set up by over 300 people formerly skilled at household industries, employed over 3,000 laborers and raised over 10 million yuan of capital. In 1985, their industrial output value reached 23.17 million yuan and, in 1986, it jumped to 50.5 million yuan, an increase of more than 100 percent in a year. The 30 joint-stock enterprises now have 8.7 million yuan in fixed assets and 9.98 million yuan in circulating capital. From 1985 to 1986, they turned over to the state over 3 million yuan in taxes and over 500,000 yuan in management fees, retained over 3 million yuan in profits, and issued about 200,000 yuan in bonuses. Of the 30 enterprises, five have succeeded in selling their products on the international market. In 1980 the state-run Wenzhou Glass Plant succeeded in trial producing glass mosaic but could not go into production due to the lack of space and capital. In 1985 the plant, together with Xinhui village, which wanted to seek new products, set up the Wenzhou Glass Mosaic Plant. It took them only 4 months to make preparations to set up the plant and to go into production. In 1986 it turned out products valued at 933,000 yuan and made 104,000 yuan in profits.

3) It helps further adjust rural production structure and increase the peasants' income. Most of the rural joint-stock enterprises are in townships and towns and a few of them are in villages. On the one hand, these joint-stock enterprises absorb surplus laborers from the locality and, on the other hand, they also absorb those household factories which are willing to join the joint-stock enterprises because of unstable production. The "peasants" working in the joint-stock enterprises may leave the land but not the village, engaging in non-agricultural production. These enterprises have greater capacities and generally yield satisfactory economic results. This has provided practical conditions for the shift of rural laborers on a large scale and for the continued adjustment of the rural production structure. The peasants can also considerably increase their incomes through them.

4) It helps increase the appeal of enterprises to workers and staff members and arouse their initiative in production. Because the cooperative-type joint-stock enterprises follow the principle of "jointly raising capital, assuming risks, and sharing profits," the workers and staff members share weal and woe with the enterprises and have the internal motivation to bring their initiative into play. The previous, long-standing malpractices of holding iron rice bowls and of everybody eating from the same big pot have basically been avoided in these joint-stock enterprises. Because enterprise ownership and the power of operations are unified, the workers and staff members have a strong sense of being the masters of the enterprise. Direct material interests encourage them to love the factories as much as they do their homes and to link their own interests with those of the enterprises.

5) It is conducive to macroeconomic control and management. After the emergence of joint-stock enterprises, with the expansion of the production scale, it is inevitably necessary to establish a level-to-level management system to facilitate centralized leadership. This is conducive to the state's macroeconomic management of the rural industries and the commodity economy as a whole.

#### 4. Problems and Prospects

The numerous forms of joint-stock enterprises in the rural areas of Wenzhou, which consist of many economic sectors, are still at the initial stage. They have many shortcomings. For example, they chiefly rely on relatives, friends, neighbors, and native villages for social financing; there is no clear-cut standard of behavior on the distribution of profits, as well as the sharing of risks among stockholders; and many joint-stock enterprises still do not have sound management systems. In the field of macroeconomic control, they do not have legal stipulations suitable for joint-stock companies. It is necessary to implement the policy of "active support, rational planning, correct guidance, and strengthened management" in light of these problems and on the basis of investigation and study and to work out relevant laws, policies, and regulations so that the joint-stock economy in Wenzhou may continue to develop soundly along the socialist path.

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## BAN YUE TAN ON CONTRACT MANAGEMENT SYSTEM

HK231541 Beijing BAN YUE TAN in Chinese No 12, 25 Jun 87 pp 8-11

[Article by BAN YUE TAN economic editorial office: "Several Basic Points Concerning the Implementation of the Contract Management Responsibility System"]

[Text] The implementation of the contract management responsibility system indicates that our country's economic structural reform has entered a new stage of stressing the improvement of enterprise managerial mechanisms. Only when this step is implemented successfully can the double-increase, double-economy campaign be carried out in depth throughout the nation and can there be continuing new prospects in the overall situation of the reform and economic development during the Seventh 5-Year Plan.

In the last 3 years, various localities have implemented diverse forms of the contract management responsibility system on a trial basis, not sticking to one pattern. However, no matter how things change, the quintessence remains--"base figures should be set fast, the portion to be handed over to the state guaranteed, enterprises are entitled to gain a greater amount of profits from the profits in excess of the set quotas, and they have to make up for any portion short of the set quotas." While making greater contributions to the state according to the contracts, the enterprises are entitled to own all benefits in excess of the set quotas and are held economically responsible for their failure to fulfill the tasks prescribed in the contracts. With clear economic responsibility, full management power, and independent economic interests, the enterprises will be well positioned to carry out their operations independently, develop themselves, assume full responsibility for their profits and losses, and to create more wealth for society. As a result, the enthusiasm of the managers and the employees at large will rise, the state and the enterprises will get more, and the living standards of the employees will improve accordingly. The fact that the profits and taxes delivered to the state by such large enterprises as the Shoudu Iron and Steel Corporation, the Second Automobile Plant, and the Jiamusi Paper Mill, increased by a wide margin and that they have developed and prospered rapidly in consecutive years is there for all to see.

Judging from the practice of the pilot enterprises, the key to achieving the desired results of the contract management system lies in firmly grasping the following basic points:

First, contract management must persist in upholding the basic guiding ideology of ensuring state financial revenues will increase and the enterprises will gain greater strength needed to back their continued development and rationally define the contract base figures and ratios.

The quotas to be delivered to the state by enterprises according to their contracts, be they absolute fixed amounts or progressively increased ratios (including the amounts and ratios of reduced losses), should be based on the steadily increased state financial revenues. In increasing their retained profits, the enterprises should rely mainly on boosting their production and revenues and on increasing the amount of above-norm profits rather than counting on state tax reductions and profit concessions. Generally speaking, in setting quotas to be delivered to the state by the enterprises, their performance in 1986 should be taken as the base figure. The advanced enterprises' base figures and ratios to be delivered to the state should not be set too high to avoid continuing "whipping the running ox" and weakening their staying power and the less advanced enterprises' contracted base figures and ratios should accordingly be set a bit higher so that they will have confidence in tapping their potential and motivation to change the status quo. The time limits of contract management should be set as long as possible to enable the enterprises to enhance their capacity to increase reinvestment and expand reproduction and to guard against any short-term tendency to concentrate on immediate interests.

With the contract tasks being set, in cases where the tolerances of the original set figures or ratios are found to be excessively wide in the course of fulfilling the contracts or major readjustments are made in state economic policies, for instance, there are fairly big changes in tax categories and rates and in the prices of goods put under mandatory planning and the enterprises find it virtually difficult to withstand these strains, competent departments together with the enterprises, are encouraged to make appropriate readjustments of their contracts. Apart from this, the contracts should be carried out to the letter. Enterprises that fail to fulfill the quotas which should go to the state have to make up their deficiencies using their officially owned funds.

Second, contract management must promote enterprises to really become the main body of investment, always keeping enterprises' technological progress and long-term development in view.

The primary purpose of increasing enterprises' retained profits through contract management is to ensure the increasing growth of state financial revenues by relying on the continued development of enterprises. Therefore, enterprises are required to use a greater amount of their retained profits in technological transformation and to speed up the compensation, renewal, and increment of their assets. Apart from bank loans, enterprises' renewal and transformation funds should come mainly from what they actually earn in operation. In other words, they should gradually turn pre-tax payment of loans

into after-tax payment of loans. This will help the enterprises make careful calculation and strict budgeting, stress results, and rationalize their investment behavior.

The enterprises already involved in technological transformation which are unwilling to change the pre-tax payment of loans into the after-tax payment of loans may have worries about contract management. Therefore, enterprises are encouraged to adopt contract management using the method of "old accounts are settled as usual while new accounts are settled in new ways" as a demarcation line and while defining contract base figures and ratios, the problem of pre-tax and after-tax payment of loans should be rationally solved to mobilize the enthusiasm of more enterprises for adopting the contract management system.

Third, contract management must proceed from the overall interests of the state and the long-term interests of the enterprises and keep the growth of consumption funds under strict control.

With the introduction of contract management, enterprises' retained profits are expected to increase considerably. Therefore, in distributing their wages and bonuses, they should strictly follow the state's relevant distribution principles and policy stipulations on keeping the growth of consumption funds under proper control--the employees' total wages should be linked with the enterprises' economic results; the growth of consumption funds should not exceed that of profits and taxes; in accordance with different profit retention levels, different ratios should be worked out in regard to the portion of enterprises' retained profits to be used as consumption funds; importance should be attached to the regulatory role of the taxation lever and enterprises are required to pay bonus tax and wage regulatory tax to the state in accordance with the regulations; in distributing bonuses, both past experience and any situation that may possibly arise in the future should be taken into account and a considerable part of bonuses shown be kept aside to make up for lean years to strive for a steady growth in the employees' income year by year while the enterprises assume full responsibility for their profits and losses. Adherence to these practices will keep the overall amount of enterprises' consumption funds high but at the same time, help the enterprises gain economic results at a faster pace. As a result, the ratio of the employees' income in the total amount of profits and taxes will drop considerably. This will play a positive role in keeping the growth of consumption funds under proper control.

All localities should sum up experience and adopt some new effective methods, encourage and lead the enterprises in rationally defining the ratios for their production and development funds, welfare funds for their employees, and their incentive funds and teach them to use their officially owned funds more in expanding production and carrying out technological transformation. Only in this way can the vast numbers of employees get real benefits from the state's economic development and can their enthusiasm and creativity continue.

Fourth, the implementation of contract management must go hand in hand with the reform of the enterprise leadership structure and supporting reforms in the internal departments of enterprises, with the persistent stress on tapping the internal potential of enterprises.

A director is the legal person of an enterprise and assumes full responsibility for his enterprise. Enterprises, be they under the contract management responsibility system, the contract responsibility system by the collectives or the contrast responsibility system by the entire employees, should firmly practice a system under which the factory director assumes full responsibility and a system under which the factory director is held responsible for the attainment of certain objectives during his tenure and under which the performance of the enterprise is subject to supervision through auditing at the expiration of the director's term. Efforts should be stepped up to perfect the economic responsibility system applied in the internal departments of enterprises and the contract tasks and their related targets should be implemented level by level down to every workshop, team and group, and individual employee member or worker in accordance with the principle of combining responsibility, authority, and benefit so that contract management can enjoy a firm and reliable support of the masses. After the economic relations between the enterprises and the state are made clear through the contracts, the enterprises should concentrate on the development of their internal departments and boost their income by relying on conducting reforms and tapping potential and on no account must they increase their retained profits and total wages by forcing prices up arbitrarily or in disguised form, for this practice will infringe upon the interests of the state and the consumers.

Fifth, the contract management responsibility system should be carried out in a guided and systematic way and all localities and departments concerned should do a good job in macroeconomic control and service work in this regard.

Since conditions vary from locality to locality and this holds true for enterprises, the specific forms and progress of the contract management responsibility should be decided by localities in line with their financial capabilities and by the enterprises themselves. We should not demand uniformity on this issue and rush headlong into mass action in an unplanned way. Particularly with regard to the contract base figures and ratios of large and medium-size key enterprises, the departments in charge of them should, together with the local enterprises in the same trade, carefully appraise them and the government should personally organize the planning and economic commissions, the commission for restructuring economic system, the financial as well as labor and personnel departments, and the banks to examine and decide their contract base figures and ratios one by one as conditions are ripe.

The implementation of different forms of the contract management responsibility system is only a stage of transition in perfecting enterprise managerial mechanisms. The ultimate completion of this task depends on improving the tax system, conducting comprehensive and coordinated reforms, and standardizing

and harmonizing the relationship of economic interests between the enterprises and the state. In his "Government Work Report" to the Fifth Session of the Sixth NPC, Premier Zhao Ziyang said: "We should explore diversified ways of separating enterprise ownership from managerial authority and gradually work out a system of socialist enterprise management with Chinese characteristics, in accordance with the principle of making public ownership predominant and invigorating the enterprises.

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CSO: 4006/845

## BAN YUE TAN ON GUIDING PRIVATE ENTERPRISES

HK230946 Beijing BAN YUE TAN in Chinese No 12, 25 Jun 87 pp 12-14

[Article by Yu Mu (0151 2606): "'Guidance' Rather Than 'Tightening Up' of Private Enterprises"]

[Text] Regarding the attitude toward private enterprises, this year, the central authorities' document No. 5 already puts forward a definite principle: "Existence is permitted, management strengthened, what is beneficial promoted, what is harmful abolished, and guidance gradually given."

The core of this principle is to guide the private enterprises onto a road of healthy development rather than to "tighten up," as understood by some people.

Some people have not come round to the idea: Why are the private enterprises now permitted to emerge and exist, since our country is a socialist country, socialist transformation of the system of ownership of the means of production has been completed for many years, and the dominant position of public ownership in the economy has been established?

First, we must see such an actual situation: Our socialism is still in an initial stage and the level of the rural total productive forces is still very low. The existence of private enterprises is, therefore, unavoidable for a relatively long period of time. In the course of carrying out reform in the rural areas of our country, it is a great progress to reaffirm the role and functions of household operation and to create, in the form of the system of contracted responsibility with payment linked to output, a new rural economic pattern of "public ownership of land, operation by individual households, and unified service." In the economic sector with contracted undertakings, household operation is of a relatively independent nature and needs development on a large scale. This choice made by peasants on their own initiative must be respected. We cannot make a choice at will for the peasants and artificially abolish the choice after the peasants made it. Judging from the overall situation, the proportion of private enterprises in the national economy as a whole is very small and they neither affect the dominant position of the public-owned economy or shake the foundation of public ownership of land. In the present rural economy of our country, they play a certain active part and are beneficial to integrating capital, technology, and labor force, to

forming social productive forces as soon as possible, to providing employment opportunity in many aspects, and to promoting the growth of qualified personnel for operation. Why can they not be permitted to exist so long as our policies guide them correctly and vigorously?

From the viewpoint of reform, the existence of private enterprises can also provide some living examples, experiences, and lessons, which are also a kind of resources for reform if we can make good use of them. For example, how can some township and town enterprises that were run by collectives and could not be maintained radiate new vitality again under many restrictive conditions, including the conditions of planning, materials, equipment, qualified personnel, technology, and market, after they are run by individuals by contract or changed to private enterprises? How can some private enterprises successfully start an undertaking under even harder conditions? Somehow, some things here warrant our consideration.

Of course, private enterprises have their own malpractices, such as lack of democratic management, excessive disparity in distribution and income, and so on. It is, therefore, necessary to strengthen management of these enterprises. On hearing the word "management," some people have an immediate reaction. They seem to feel that reform is not to be continuously carried out but that "tightening up" is needed. They regard "management" and "tightening up" as one and the same thing. This feeling is not in tune with reform and is a misunderstanding of the deepening of reform.

How should we strengthen the management of private enterprises? This involves a specific understanding of the private enterprises. On this account, we must investigate their current state and analyze their advantages and disadvantages. For example, how are private enterprises formed, on what scale do they develop, and what are their internal organizations and structure? Only by getting a clear picture on these questions can we formulate a set of management methods aimed at their existence and development. These management methods are, on the whole, to adjust the contradictions between the private enterprises and the interests of the whole society and, through legislation and management, to promote what is beneficial, abolish what is harmful, restrict the negative role of the private enterprises, guide the enterprises to vigorously carry out their economic activities within the sphere of the provisions of the policies and decrees, protect their legitimate operation and lawful rights and interests, and promote the transformation of the private enterprises, which will be more beneficial to socialism, but not to intervene in the enterprises' legitimate economic activities or forcibly change their mode of production.

The management of the private enterprises, in fact, includes guidance of them. For instance, we can apply the economic and administrative method to guide private enterprises to encourage workers to become shareholders, to implement the system of giving labor bonus dividends, to carry out democratic management, to increase public accumulations, to change the structure of the distribution of profits, and to spend more funds on the expansion of reproduction. The private enterprises must establish a strict financial system to facilitate the supervision and management of them by society. Through this method, we can also guide them to practice scientific management.

In the course of reform, private enterprises have emerged and their existence does more good than harm to economic development. We had better have this advantage than none at all. We must adopt the countermeasure of "guidance" rather than "tightening up." So long as we correctly understand and implement the "16-character policy" put forward by the central authorities and guide them well, the private enterprises can healthily develop and be greatly beneficial to the socialist economy.

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## GUANGXI LEADER SPEAKS ON CURRENT REFORM ISSUES

HK020207 Nanning Guangxi Regional Service in Mandarin 1030 GMT 31 Jul 87

[Excerpts] Study the two books, Comrade Deng Xiaoping's "On the Reform of the Party and State Leadership System," and Comrade Zhao Ziyang's speech at the meeting of propaganda, theory, media, and party school cadres, gain a full and correct understanding of the relationship between the two basic points in the line since the 3d Plenary Session of the 11th CPC Central Committee, strengthen reform consciousness, speed up the pace of reforms, and make ideological preparations for the 13th party congress. This constituted the major contents of a speech delivered by Guangxi Regional Party Committee Secretary Chen Huiguang at the conclusion of the fourth regional study course for prefectural and departmental cadres and the second study course for propaganda department directors on 30 July.

Chen Huiguang said: A current important issue in reform is, as has been stated by leading central comrades, that theory lags behind reality. To resolve this problem, apart from relying on the efforts of the theory workers, the leading cadres at all levels must take the lead in studying theory and seriously enhance their own standard of Marxism. This is extremely important. He called on cadres throughout the region, like the comrades on the study courses, to do everything possible to set aside time for studying the two books "Uphold the Four Cardinal Principles and Oppose Bourgeois Liberalization" and "Build Socialism With Chinese Characteristics," and the relevant speeches of leading central comrades. By integrating theory with practice, they should deepen their understanding of the party's line, principles, and policies since the 3d Plenary Session of the 11th CPC Central Committee, grasp the basic idea of building socialism with Chinese characteristics, further unify their understanding, and ensure the implementation of the general principle of reform, opening up, and invigoration.

Chen Huiguang continued: Although reform, opening up, and invigoration in Guangxi started a bit later than in many other parts of the country, the complete handling in 1983 and 1984 of problems left over from the Cultural Revolution accelerated the pace of reform and opening up and thus greatly promoted the development of the productive forces and the improvement of living standards. For instance, since 1985, the growth rate of industrial and agricultural output value and economic results in the region have reached or slightly exceeded the national average growth. In financial

revenue, during the several years before 1984, the figure stagnated around 1.3 to 1.4 billion yuan. But it leaped to 2 billion yuan in 1985 and 2.5 billion in 1986. The figure for the first half of this year was 1.4 billion.

In the aspect of wages, average wages in units owned by the whole people in the region reached 1,344 yuan in 1986, a rise of 785 yuan over 1978.

Chen Huiguang went on to discuss the price issue, which is of universal concern. He said: At present it is a fact that the prices of certain nonstaple foods have risen rather sharply. The main reason is that the output of such products cannot meet people's consumption needs. In viewing and analyzing this problem, we cannot depart from the actual condition of the country and the region. In addition, the regional authorities and the people's government at all levels are now taking steps to control price rises as much as possible.

Under what conditions was the so-called price stability of the past--so much praised by a few people--achieved? First, the rural producers were subject to monopoly state procurement of their products. It was laid down that the peasants must sell their agricultural and sideline products to the state in accordance with the prices and amounts preset by the state. Second, consumption was restricted by practicing a rationing system with regard to a number of main staple and nonstaple foods and daily use consumer goods. Third, wages were frozen for a long time. If we used these methods now to restrict the growth of people's consumption level, I think we would be able to lower prices, but such a move would hamper the development of the productive forces, and people's living standards could not be fundamentally improved.

Chen Huiguang called on the cadres at all levels to take a firm and clear-cut stand in publicizing the fruits of these changes. He said: This is certainly not for the sake of commanding someone, but for the sake of citing facts to illustrate the correctness of the party's line since the 3d Plenary Session of the 11th CPC Central Committee and boosting the confidence of the cadres and masses for persevering in reform, opening up, and invigoration.

Chen Huiguang said: The central agenda of the 13th party congress will be reform. The future pace of reform can only be speeded up, not slowed down. The leading cadres at all levels must, while adhering to the four cardinal principles, give free rein to boldly carrying out reform, opening up, and invigoration. The general demand is: During the Seventh 5-Year Plan, under the premise of improving economic results, we should strive for an economic growth rate in Guangxi slightly higher than the national average. At the same time, we should lay a good foundation for the invigoration of the region's economy during the last decade of the century.

In industry, we must therefore grasp the cardinal link--invigorating the enterprises--deepen the reforms, do a good job in practicing the contracted management responsibility system, delegate the enterprises to the lower levels, streamline the administration and delegate powers, promote lateral economic ties, and speed up technological transformation. We should strive to build more medium and small projects that need little time and investment.

In agriculture, we must grasp grain, which is the foundation of the foundation. At the same time, we should proceed from the region's actual conditions in continuing to rationally readjust the production structure, developing diversification and the township and town enterprises, and promoting commodity production. We must also do a good job in family planning, protection of farmland, afforestation and greening, and support for poor areas.

Comrade Chen Huiguang said: Undertakings are done by people. The party's principles and policies are extremely explicit now. So long as everyone is willing to work hard and apply in practice the theoretical knowledge gained from studying the two books and the speeches of leading central comrades, we will certainly be able to achieve marked success.

Of course, we should not act rashly and impatiently, since it is not realistic to think of bringing about a big change in Guangxi's backwardness in a short period. This is because our foundation is poor and weak, we lack capital, and we have a large population and little farmland. Certain large and medium projects now under construction or preparation can only produce results after 1990. However, it is completely possible to achieve changes and development every year.

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CSO: 4006/855

PROVINCIAL

ECONOMIC

BRIEFS

ANHUI RURAL PRIVATE ENTERPRISES--Tongcheng County courageously supports the development of private enterprises [si ren qi ye] in rural areas. This has promoted production of commodities and invigorated rural economy. According to statistics, by the end of last May, the county already had over 11,000 private enterprises of different sizes--or 136 more than that of last year--with a total employment of nearly 40,000 people, and turned out 61.88 million yuan of goods. According to statistics, Tongcheng County had as many as [figure indistinct] private enterprises in 1986 with a total employment of over 36,000 people. In 1986, these enterprises produced over 116 million yuan of goods and turned in 19.74 million yuan in profits and taxes to the state [passage indistinct]. [Excerpts] [Hefei Anhui Provincial Service in Mandarin 1100 GMT 3 Aug 87 OW] /6091

CSO: 4006/855

## JIANGSU GOVERNOR ON CHECKING COMMODITY PRICE RISE

OW121114 Nanjing Jiangsu Provincial Service in Mandarin 2200 GMT 10 Jul 87

[Article from the "News and Press Review" program]

[Excerpts] During a provincial telephone conference they sponsored last night, the Jiangsu Provincial Party Committee and the provincial people's government urged all localities to take decisive measures to control the rise of commodity prices.

During the conference, Governor Gu Xiulian relayed the guidelines set forth by the national conference of directors of price bureaus of some provinces and municipalities, and spoke on Jiangsu's commodity price situation and major measures for controlling commodity prices during the second half of the year.

Governor Gu said: As far as the market and commodity prices are concerned, Jiangsu's market is brisk and prosperous. There is an ample supply of most commodities. The conspicuous issue at present is the price rise of some commodities, especially the type of nonstaple food that is closely associated with people's livelihood.

After analyzing the causes of commodity price rise, Governor Gu urged leaders at all levels to pay great attention to commodity prices, seriously analyze the price situation, study remedial measures, and take effective actions to put commodity prices under control. She set forth the following guidelines:

1. Leaders at all levels must have a better understanding of the importance in stabilizing commodity prices.
2. Departments at various levels must be charged with the responsibility of controlling commodity prices.
3. Earnest efforts must be made to promote the production of nonstaple food [words indistinct].
4. Make every effort to ensure the supply of nonstaple food.

5. Make earnest efforts to manage and use the funds for subsidizing pork and vegetables;
6. Tighten the avenues for price rises. Governments at all levels must make sure that no departments may authorize more price hikes without the approval of price departments.
7. Intensify the control over prices of production means, and ban any unauthorized price hike.
8. Publicize price reform and help the masses understand and support price reform and become more adaptable to price changes.

The conference was chaired by Sun Han, deputy secretary of the Jiangsu Provincial Party Committee. He also spoke on implementing the measures taken by the provincial party committee and government to control commodity prices.

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CSO: 4006/847

## STATE COUNCIL REGULATIONS ON EQUIPMENT MANAGEMENT

OW060504 Beijing XINHUA Domestic Service in Chinese 1138 GMT 5 Aug 87

[Text] Beijing, 5 Aug (XINHUA)--Regulations Governing the Management of Equipment of State-owned Industrial and Communications Enterprises.

(Issued by the State Council on 28 July 1987)

#### Chapter I General Principles

Article 1. These regulations are drawn up to strengthen the management of equipment, improve its efficiency and economic performance, and ensure production safety and its normal operation.

Article 2. These regulations apply to the management of all production equipment of state-owned industrial and communications enterprises (hereafter shortened to "enterprises").

Article 3. Management of enterprise equipment should primarily be based on measures capable of enhancing technological progress, promoting production, and guarding against misuse. The purpose of its use shall be taken into consideration during design and manufacture; maintenance shall be based on periodic inspection; and repair and remodelling shall be integrated with replacement. Management shall be handled both by the professions and by the masses with economic, as well as technical, measures.

Article 4. Management of enterprise equipment shall primarily be handled comprehensively. This means equipment shall be properly maintained, its quality constantly improved, its functions fully manifested, and the investment produce good returns.

Article 5. Managerial departments at all levels should provide professional guidance and supervision in accordance with the principle of divided responsibility.

Article 6. The state encourages management and maintenance of equipment to be socialized and handled through cooperation among specialized departments. It supports technical research for equipment management.

Article 7. Enterprises shall adopt advanced methods for equipment management, as well as maintenance techniques, in a positive way. Their maintenance shall be based on monitoring the state of equipment, and they shall take constant steps to upgrade and modernize management and maintenance.

Article 8. The principal criteria for assessing economic and technical performance shall be considered part of the responsibilities of enterprise directors during their term of office.

## Chapter II Responsibilities for Relevant Departments Under the State Council and Local Economic Commissions in Equipment Management

Article 9. The State Economic Commission's principal responsibilities in equipment management are to:

1. Carry out the state's general and specific policies and regulations governing equipment management, and draw up regulations governing equipment management;
2. Supervise equipment management and coordinate the inspection of equipment; and
3. Organize exchange and dissemination of advanced experiences in equipment management.

Article 10. The principal responsibilities of equipment management of industrial and communications departments under the State Council are to:

1. Carry out the state's general and specific policies and regulations governing equipment management, and, in accordance with the principle of dividing the responsibilities of various departments, draw up plans and regulations for equipment management in trades affiliated to their departments;
2. Organize professional maintenance of equipment in enterprises affiliated to their departments;
3. Supervise, inspect, and coordinate equipment management in enterprises affiliated to their respective departments;
4. Organize exchanges and dissemination of advanced methods and new technologies for equipment maintenance and management; and
5. Organize professional training for equipment managers.

Article 11. The main responsibilities of equipment management for economic commissions (or economic planning commissions) of people's

governments in various provinces, autonomous regions, and municipalities directly under the central government are to:

1. Carry out the state's general and specific policies and regulations governing equipment management, and draw up local rules and regulations for equipment management;
2. Guide, supervise, inspect, and coordinate equipment management in their respective localities;
3. Organize regional cooperation for equipment maintenance, promote socialization of maintenance and production of parts whose use can be shared; and
4. Organize local exchange of experiences in equipment management, and training of workers; and furnish various enterprises information, and provide them consultative service on equipment management.

### Chapter III -- Planning, Purchase, Installation, and Debugging of Equipment

Article 12. The enterprise should do a good job in planning, model selection, purchase (or designing and manufacturing), installation, and debugging of equipment, as well as other work related to equipment control. In purchasing important production equipment, the enterprise should conduct technical and economic verifications, and, in accordance with the relevant regulations, report to the higher authorities for examination and approval. In purchasing equipment for an enterprise, offices or personnel in charge of equipment control in the enterprise should submit a request noting the reliability of the equipment concerned as well as the procedures for equipment maintenance.

Article 13. The enterprise that manufactures its own equipment should engage personnel in charge of management, maintenance, and use of equipment in the study and examination of the design, and manufacture the equipment strictly according to the design. Complete technical documentation should come with the manufactured equipment.

Article 14. The department in charge of equipment manufacture should establish a system of user information feedback regarding the use of the equipment, and provide after-sale service for the equipment.

Article 15. Imported equipment purchased by the enterprise should come with technical documentation and accessories essential to equipment maintenance.

On receiving the imported equipment, the enterprise should earnestly conduct acceptance tests, promptly install and debug it, and put it into operation. If problems are discovered, claims for compensation should be filed within the warranty period.

## Chapter IV -- Use and Maintenance of Equipment

Article 16. The enterprise should establish a sound operating and maintenance procedure for the equipment, and institute a system of personal responsibility accordingly.

Personnel responsible for the operation and maintenance of the equipment should strictly observe the operating and maintenance procedure.

Article 17. In keeping with the state's relevant regulations, the enterprise should improve maintenance, inspection, and preventive tests on power, hoisting, and transport equipment; meters and apparatus, and pressurized containers.

## Chapter V -- Overhaul of Equipment

Article 18. Equipment overhaul in enterprises should be carried out strictly in accordance with the overhaul procedure, and should meet the requirements for equipment overhaul in order to guarantee the quality of overhaul, shorten overhaul time, and reduce overhaul cost.

Article 19. Based on the equipment's technical conditions and the overall production situation, the enterprise should formulate an equipment overhaul plan, which will be incorporated into the enterprise's annual plan and should be strictly implemented by the enterprise.

Article 20. The enterprise should observe financial and economic rules and regulations, and subject itself to supervision by auditing authorities. The enterprise should observe the state's relevant regulations when withdrawing and using equipment overhaul funds.

Depreciation funds can be used when there is a shortage of funds for the overhaul of equipment undergoing technical transformation.

Article 21. The enterprise should stock reasonable quantities of spare parts and accessories and do a good job of warehousing and maintenance.

Article 22. Provided that the quality of equipment overhaul is guaranteed, the enterprise should reuse repaired parts of the equipment to reduce overhaul expenses.

## Chapter VI -- Transformation and Upgrading of Equipment

Article 23. The enterprise should draw up long- and medium-range plans as well as the annual plan for equipment transformation and upgrading, and organize efforts to implement these plans.

Article 24. In transforming and upgrading important equipment, the enterprise should conduct technical and economic verifications beforehand, and report to the higher authorities for examination and approval in accordance with the relevant regulations.

Article 25. The fixed asset depreciation fund for the enterprise's equipment should be used mainly to transform and upgrade equipment in accordance with state regulations.

Article 26. The enterprise should go through the formalities for registering added-value for fixed assets in case new values are added as a result of equipment transformation and acceptance.

Article 27. An enterprise shall have the equipment replaced if it falls into one of the following categories:

1. It is anticipated that its technical capabilities will still be unable to meet technological requirements or ensure product quality even after an overhaul;
2. The equipment is aging, its technical capabilities are outmoded and inefficient, or it consumes a large amount of energy and yields poor economic results;
3. Although its precision may be restored by an overhaul, it would not be as economical as operating new equipment;
4. It causes serious pollution, poses a safety or health hazard, or remodelling is uneconomical; or
5. It has to be replaced for various other reasons.

Article 28. When an enterprise leases, transfers, or replaces equipment, it shall obey relevant state regulations.

The income an enterprise acquires from leasing, transferring, or replacing its equipment shall be spent on remodelling or replacing its equipment.

#### Chapter VII -- Basic Work for Equipment Management

Article 29. An enterprise shall establish and perfect its system of accepting, transferring, registering, administering, and appraising its equipment.

Article 30. An enterprise shall determine the time, budget, and the amount of resources to be consumed or reserved for the maintenance of equipment.

Article 31. An enterprise shall report to the relevant departments any statistics concerning its equipment management. Statistical standards for equipment management shall be set by industrial and communications departments under the State Council.

Article 32. An enterprise shall factually report all accidents to the higher departments.

Accidents fall into three categories: ordinary, major, and catastrophic. The categorization standards shall be determined by industrial and communications departments under the State Council.

Should an accident take place in an enterprise, the enterprise shall determine the cause and handle it seriously according to the nature of the accident.

#### Chapter VIII -- Education and Training

Article 33. All industrial and communications departments under the State Council, and the people's governments of all provinces, autonomous regions, and municipalities directly under the central government, shall create conditions and work out plans for training full-time equipment managers and maintenance personnel.

Through various channels, all local departments in charge of industrial and communications enterprises shall provide their incumbent equipment managers different forms and different levels of education in professional and technical management. They shall also provide different forms and different levels of technical training to the incumbent equipment operators and maintenance workers so as to improve their professional skills.

Article 34. Generally speaking, people in charge of equipment management in an enterprise should have at least secondary or vocational school education (including those who have achieved the same proficiency through self-study or professional training), and should have a fair amount of practical experience.

#### Chapter IX -- Rewards and Penalties

Article 35. According to their needs, the State Economic Commission, industrial and communications departments under the State Council, and economic commissions (or economic planning commissions) of all provinces, autonomous regions, and municipalities directly under the central government may sponsor activities to evaluate performance in equipment management, and may commend those enterprises that have achieved remarkable success in equipment management.

Article 36. In accordance with the needs of equipment management, an enterprise may launch emulation activities at regular intervals.

An enterprise shall commend those workers and collectives that have done a remarkably good job in equipment management.

Article 37. Should an enterprise's production have been affected by equipment mismanagement or serious negligence, the department in charge of enterprises shall instruct it to improve the situation by a deadline, and it shall investigate the administrative responsibilities of the enterprise's leaders or other personnel according to the seriousness of the case.

Article 38. Workers who have neglected their duties, who have provided misguidance, and who have violated the rules for operating, using, maintaining, and inspecting equipment, and have thus caused accidents and financial losses, shall have their economic and administrative responsibilities investigated by their units according to the seriousness of the cases. Those whose acts constitute a crime shall have their criminal responsibility investigated by judicial organs.

Article 39. In principle, these regulations also apply to state-owned postal and telecommunications, geological, construction, agricultural and forestry, and water conservancy enterprises. Institutes and collective industrial and communications enterprises may also implement these regulations according to their situation.

Article 40. Industrial and communications departments under the State Council, and economic commissions (or economic planning commissions) of various provinces, autonomous regions, and municipalities directly under the central government may draw up implementation measures based on these regulations.

Article 41. The State Economic Commission is responsible for interpreting these regulations.

Article 42. These regulations become effective upon promulgation.

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## ARTICLE URGES FACTORY DIRECTORS TO CHECK QUALITY

HK301308 Beijing RENMIN RIBAO in Chinese 27 Jul 87 p 2

[Article by Zhu Rongji (2612 3579 1015), vice minister of State Economic Commission: "Carry Out the Contract System in Business Operation, Persistently Put Quality in the First Place" -- pages within slantlines published in boldface]

[Text] The implementation of various forms of the contracted responsibility system in business operation will probably become the way for perfecting the operation mechanism and invigorating enterprises with Chinese characteristics. The contracted responsibility system in business operation is not an expedient or interim measure. It should be gradually perfected and carried out for a long time to come. In the course of implementing and perfecting the contracted responsibility system in business operation, the departments in charge of economic work at all levels should put product quality in the first place and pay attention to the following:

/1. Enforce the quality responsibility system and exercise quality veto power./

Although the majority of comrades now favor the contract system, they fear that it might become a factor of price hikes. While exercising management over price hikes and curbing price hikes, the competent departments at all levels should strengthen necessary administrative interference and macrocontrol over the quality of products and strictly prohibit disguised forms of price hikes such as using inferior materials and turning out sub-standard goods.

The enterprises that have implemented the system of contracted responsibility in business operation should pay close attention to quality. While attaining better economic results, they should also take social affects into account. Vigorous efforts should be made to establish and perfect the operation responsibility system within enterprises. It is necessary to contract technical transformation, fixed quotas for revenue, and quality and to regard improvement of product quality as an essential target in the implementation of the operation responsibility system. To this end, it is necessary to enforce management, perfect

the system that ensures quality, exercise quality veto power, invest funds and make efforts in the strategic task of technological progress, and guarantee constant improvement of product quality.

/2. Introduce competition mechanism and select operators who have a strong sense of quality./

To implement the contracted responsibility system in business operation, the operators (factory directors) undertaking contracts should have a strong sense of quality and the ability to improve quality. This is the prerequisite for selecting operators (factory directors). Those who pay no attention to quality are not qualified to be factory directors. At present the equipment and technology of the majority of enterprises are outdated and backward. The decisionmaking power in certain aspects is not yet delegated to enterprises. Owing to exaction of charges by various departments, the financial resources of enterprises are limited. Under such a situation, it is no easy job to be a factory director. Nevertheless, once you become a factory director, you should undertake the responsibility. It is the basic responsibility of factory directors to improve product quality. The factory directors who practice fraud on the question of quality and those who refuse to make any improvement after their products are found to be sub-standard twice in the sample inspection conducted by the state should be removed from their posts. As for the enterprises that produce and sell fake medicine, liquor, and cigarettes, it is not a question of quality. The procuratorial organs and courts should sternly deal with these illegal practices according to law.

Introduction of the competition mechanism is the key to doing a good job of the contract system. By implementing the bidding system among operators, we can select the best and break with the situation of the state signing contract with a single enterprise without any option. We can also put pressure on the "secure officers" who have no enterprising spirit, create an environment for talented people to show themselves, and produce and develop large numbers of quality products to win the confidence of entrepreneurs in the market. These will be the fruitful results of the implementation fo the contract system in business operation.

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## ARTICLE ON ENTERPRISE DECISION-MAKING POWER

HK061440 Beijing JINGJI GUANLI in Chinese No 5, 1987 (undated) pp 27-29

[Article by Zheng Jianjun (6774 1696 6511): "Enterprises should have the power to make decisions on technological reform and investment -- edited by Huang Welin (7806 0251 2651)]

[Text]

I.

The decision-making power of enterprises has been gradually expanded following the economic structural reform.

However, since the work of decentralizing power was not carried out in a down-to-earth manner and reforms were not dove-tailed, enterprises have not yet really become relatively independent economic entities and still lack sufficient decision-making power for independent operations. In particular, the decision-making power concerning technical transformation and investment is still in the hands of administrative departments at various levels. This is highly unfavorable to accelerating enterprises' pace of technical transformation, enhancing their capability of self-transformation and self-development, improving the economic results, and enlivening enterprises.

Recently, we conducted an investigation on the technical transformation of industrial enterprises in Shenyang City during The Sixth 5-Year Plan. Our findings show that results of many projects were poor mainly because of wrong decisions. What a strange phenomenon it is: Nobody was held accountable for economic losses worth over million yuan, or even tens of million yuan. Such a situation, where the decision-making power concerning investment was not linked to the results of investment, has brought about many problems in our work. They are mainly: 1) Poor economic results despite of large scale of investment. Since the power to examine and approve projects of technical transformation and investment was handled by departments at various levels according to the amount of investment, enterprises were often apt to set their estimations of their projects within a specific range for simple examination and approval. When submitting an application for approval, an enterprise always intentionally omitted some items so as to lower the standard, to reduce the scale of investment, but exaggerate the amount of profits.

Once the project was approved, the enterprise augmented the design of investment, restored or boosted the standard, and enlarged the scale. Consequently, the budget figure became greater than estimated and the figure of final accounts was greater than budget, and there was the expansion of investment when additional investment was allocated again and again. On the other hand, in order to scale down projects of technical transformation within the range for examination and approval, enterprises could not but impractically cut the scale of investment and miniaturize projects of technical transformation, and make the batch process economically irrational, so that the results of the economics of scale could not function properly. 2) The development of subjective and blind investment. Though the administrative departments held the decision-making power for technical transformation and investment, they were not held economically accountable for losses in investment; whereas enterprises were responsible for economic losses but had no decision-making power concerning investment. Such disjointed relations concerning duty and power made it difficult to find someone responsible for the technical transformation and investment, or made it difficult to hold one accountable for losses, which were eventually borne by the state and society. Under the circumstances where the decision-making power was distributed among government administrative departments at various levels, it would only promote the vicious expansion of intervention on enterprises' production, operations and activities by the administrative departments, and would seriously dampen the initiative of enterprises. Furthermore, to a great extent, the approval of project concerning technical transformation and investment depended on the government's acknowledgement of enterprises' shortage. The extent of acknowledgement of the shortage by the government actually depended on the project's importance and the relationship between enterprises and the government. This would inevitably lead to dependence on government by enterprises, the prevalence of unhealthy tendencies, and the making of rash decisions on investment. Thus, to a great extent, such projects were approved mainly by means of subjective thinking and blind acts, thereby increasing the probability of making wrong decisions on investment. 3) The development of dependent mentality among enterprises. As enterprises had no decision-making power concerning technical transformation and investment, they were not relatively independent commodity producers. Therefore, they depended on the state and lived on the "big rice pot" in terms of technical transformation. Implementing the transformation with the loans granted and investing one's own funds in non-production areas have already become the prevailing pattern of investment among most enterprises in China. Such acts of non-production investment are logical and inevitable results of the centralization of decision-making power concerning investment. 4) Decisions made by the government, supervision by various government departments and complicated procedures for project, examination and approval frightened enterprises. As technical transformation involves many areas, many government departments have the power to veto a project.

When an enterprise wants to engage in a project of technical transformation, it must worship each and every "buddha," and the procedures are very complicated and time-consuming. In some cases, an appropriate project was vetoed just because of the remarks of a particular department or even a particular person. This has not only bred bureaucratism, but eventually brought troubles to enterprises, who let the opportune moment pass away.

## II.

The main reason for enterprises' present lack of decision-making power concerning independent operations, particularly on technical transformation and investment, is: There is still no definite conclusion regarding the differentiation of the independent decision-making power of enterprises. Some comrades once advocated taking the value of capital used for simple reproduction as the theoretical boundary between the decision-making power of enterprises and that of the state. This means: Enterprises should be solely responsible for capital used in the scope of simple reproduction; whereas the state should be responsible for the capital used for expanding the production. Such kind of advocacy is theoretically simple but is inappropriate in practice. For example, technical transformation involves both the capital for simple reproduction and the capital for expanding production. It is therefore very difficult to determine who should be in charge of the matter. Proceeding from our experience of economic structural reform over the years, limiting the decision-making power of enterprises within the scope of simple reproduction, limiting the decentralization of power to the area of depreciation fund, and letting them act without any decision-making power concerning the expansion of production or technical transformation funded by loans, enterprises lost the initiative to bring things in line with the conditions in the areas of technical transformation and conform to the market. Therefore, to enhance enterprises' capability of self-transformation and self-development and to enliven enterprises are just an empty talk. I hold that to decentralize to enterprises most of the decision-making power concerning the expansion of reproduction of fixed assets (that is, technical transformation), and to confirm the chief role of enterprises in technical transformation and investment are the key to improving the economic results of technical transformation. They are also the important content for further streamlining the structure, decentralizing the power, and enlivening enterprises, as well as the inevitable trend of economic structural reform.

First, the decision-making power concerning investment is a significant component part. Technical transformation is an expanded reproduction basing on the investment decisions, while the making of decisions concerning technical transformation and investment is one of the major contents of enterprises' decision-making. Of course, the expansion of enterprises' decision-making power concerning operations should include the power concerning technical transformation and investment. In order to

deal with competition and for the sake of self-development, enterprises must, amidst their production and business activities, constantly promote advancement in the areas of technology and management. This will inevitably achieve the expanded reproduction of fixed assets. Therefore, they must possess the decision-making power concerning technical transformation and investment. In other words, enterprises should have the power to make decisions on such matters as the expansion and re-construction of plants and production facilities, the replacement of production techniques, and the improvement of working environment and conditions.

Second, decision-making concerning technical transformation and investment is the microscopic decision-making process in regular economic activities, and is the "internal policy" of enterprises. It focuses on solving such problems as what, how much and how an enterprise will produce. Generally speaking, whether or not an enterprise succeeds in its technical transformation project has little connection with the overall situation of the national economy. Therefore, enterprises' decision-making power concerning technical transformation and investment is just at the microscopic and local level, and should be handled by enterprises themselves.

Third, it is impossible for the government to thoroughly understand the situation of enterprises' production structure as well as the operation of microscopic economics. Being the basic production units, enterprises understand very well the conditions of their equipment, the situation of their equipment, the situation of their production and operations, and their development prospects. They can carry out technical transformation and develop their production according to their actual conditions, in order to meet the market demand, to improve their competitiveness and capability of handling changes. Being the focal point of technical transformation and investment, enterprises may prevent themselves from suffering heavy economic losses due to incorrect external decisions concerning investment, thereby heightening their sense of responsibility and improving their economic results.

Fourth, after the introduction of substitution of funds allocation by loans for investment, enterprises' chief source of investment for technical transformation comes from their accumulation, raised funds and bank loans. Being the "legal persons enterprise assume sole responsibility for their own profits and losses, and take risks in their technical transformation and investment. This thus makes it necessary for enterprises to possess the power to decide on the necessity of, the amount of funds spent on, and how to carry out the technical transformation. Similarly, banks in the form of enterprises should also take risks in investment and should possess the power to decide on the investing areas rather than "granting loans according to instructions." In other words, the main body of decisions made on investment should be in line with the sources and results of investment.

### III.

Some comrades did not advocate the decentralization of decision-making power concerning technical transformation and investment to enterprises. They were worried that this would bring about blind investment and investment boom. At present, many articles on the press also regard the 1982 and 1984 investment booms as the result of expanding the decision-making power of enterprises. Such a viewpoint does not conform to the actual conditions.

The reason why there was blind investment and an investment boom is that over a long period, we did not separate government supervision from enterprise management, the decision-making power was excessively centralized, departments and regions were separated in terms of management system, prices were distorted, and the local financial policies were made for the sake of protecting their own source of revenues. It was not because of the expansion of decision-making power. Under the guidance of the ideology about the outdated system of product economy, the decision-making power of enterprises concerning production, supply and sales was often regarded as part of the macroscopic supervision, so that the expanded reproduction of enterprises could not be readjusted in connection with enterprises' actual needs. Through the investigation, we have also discovered that many projects of technical transformation which were designed without careful study were approved by the leadership or government departments. There were numerous examples concerning acts of increasing quotas and blindly increasing the output by the leading departments. In fact, enterprises had not decision-making power but only acted "according to instructions." How can we therefore put the blame of an investment boom on the expansion of enterprises' decision-making power? As a matter of fact, once enterprises become economic entities which have the status of being the "legal persons" and which closely combine the duty, rights and interests, and once there are factory managers and workers who have the power to decide on matters concerning technical transformation and investment, they will economically use their funds on the projects and will cautiously study the interests of the state and those of enterprises. Judging from the theory of consuming structure, that of coordination and so on, a mechanism which promotes a constant economic growth is a self-organizing mechanism. Its functions may develop a self-organizing system which is capable of self-readjustment. This is a system capable of self-transformation, self-development and self-expansion. Any stable and orderly system is such a self-organizing system. To give enterprises the decision-making power, as well as to perfect enterprises' function of self-organizing, are the basic conditions for putting enterprises, or even all economic activities, in a orderly manner. Therefore, in a certain sense, that enterprises were given no decision-making power concerning investment was the main cause of the disordered economic activities, that is the investment boom.

Whether the decision-making power concerning enterprises' technical transformation and investment should be handled by the state or by enterprises themselves is the key to distinguishing a centralized system from a decentralized one. To establish a decentralized system which focuses on the expansion of enterprises' decision-making power does not mean that the leadership over enterprises by various supervisory organs of the state will be abolished. These supervisory departments should mainly concentrate their efforts on exercising macroscopic readjustment on enterprises' activities as a whole. They should use economic and legal means to provide a perfect external economic environment. They should readjust the returns of enterprises' technical transformation and investment by means of economic levels. They should supervise enterprises' investment and directions through industry planning and investment policies. Since the state and local government no longer engage in the specific decision-making and investment of technical transformation and construction projects, they will no longer be busy approving projects, allocating funds and distributing materials. They will be in a lofty position. Not only does this help the state supervise, guide and readjust the development of the whole national economy, but is also favorable to improving enterprises' capability of self-transformation and self-development, so that enterprises will truly become economic entities which are full of energy and vitality.

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## KANG SHIEN WRITES PREFACE FOR INDUSTRY BOOK

OW051341 Beijing XINHUA Domestic Service in Chinese 0604 GMT 5 Aug 87

[By reporter Huang Fengchu]

[Text] Beijing, 5 Aug (XINHUA)--Compilation of a 450,000-character voluminous book on the history of an industry -- "The Petroleum Industry of Contemporary China" -- has been totally completed. The book will be available to readers early next year.

"The Petroleum Industry of Contemporary China," which is one of a series of books under the general title "Contemporary China," was written by a team of more than 600 people organized by the Ministry of petroleum Industry, including petroleum experts, leading cadres, and others concerned. It contains rich and accurate materials that record the road traversed, the brilliant accomplishments made, and the experience gained by China's petroleum industry.

For the book "The Petroleum Industry of Contemporary China," State Councillor Kang Shien wrote a preface: "Carry Forward the Hard-Struggling Tradition in Building a Mighty Petroleum Industry." The "preface" says: "The development and achievements of the petroleum industry embody the great enthusiasm as well as the hard-struggling and diligent work of the 1-million-strong petroleum industry work team in trying to win honor for our country and to bring glory to our people through the development of the petroleum industry of our motherland." "Every accomplishment of our petroleum industry is a crystallization of the wisdom and painstaking efforts of the people throughout the country." In addition, the preface says: "The publication of 'The Petroleum Industry of Contemporary China' will assist the broad masses of petroleum workers in acquiring a better understanding of the history of our petroleum industry, learning something useful from it, boosting their work morale, enhancing their competence, and raising their work quality. It will also enable more readers to understand our petroleum industry, be concerned about it and, therefore, do something to promote its development at a still faster pace."

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## SHAANXI GOVERNOR ON DEVELOPING TOWNSHIP ENTERPRISES

HK250603 Xian Shaanxi Provincial Service in Mandarin 2330 GMT 24 Jul 87

[Excerpts] Governor Zhang Boxing spoke at the provincial conference of prefectural commissioners and city mayors on 24 July, demanding that the leaders at all levels units as one, persevere in reform, clear the way to forge ahead, and strive to develop township and town enterprises and invigorate the province's economy.

After reviewing the situation in developing township and town enterprises in the province, Zhang Boxing pointed out that the leaders at all levels must fully understand the strategic position of these enterprises in invigorating the rural economy. He said: Developing these enterprises is the fundamental way out for switching the surplus rural manpower to other work and the requirement of achieving modernization in the rural areas. The township and town enterprises are also an important supplement to urban industry, an important source of increased income for the peasants, a major measure for narrowing the discrepancy between ourselves and the developed coastal regions, and the fundamental way out for narrowing the discrepancies between urban and rural areas and between industry and agriculture.

Zhang Boxing said that the provincial party committee and government place very great hopes in the township and town enterprises. Output value of these enterprises in the province should reach 30 billion yuan by the end of the century. In this way, we will have an assurance for achieving our strategic goal.

Zhang Boxing said that the province should continue to maintain a suitable development rate of these enterprises. In the next few years the annual increase should be over 20 percent, and some places where the conditions are right should achieve a bit more than that. We should gradually shift the focus to the technological transformation and the improvement and expansion of existing enterprises. Township and town enterprises should be run by townships, villages, combinations of households, and single households.

At present the focus should be on enterprises run by households and combinations of households. We should regard household enterprises as one breakthrough point in invigorating the province's township and town enterprises.

Vice Governor Zhang Bin chaired the meeting on 24 July. Present were responsible comrades of the provincial party committee, discipline inspection commission, People's Congress Standing Committee, government, and CPPCC including Bai Jinian, Li Lianbi, Yu Ming, Sun Kehua, Xu Shanlin, Lin Jizhou, Sun Daren, Liu Bangxian, Liang Qi, and others.

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CSO: 4006/847

## TASK FORCE REPORT ON FOREIGN TRADE REFORM, DEVELOPMENT

Beijing CAIMAO JINGJI [FINANCE, TRADE, AND ECONOMICS] in Chinese No 6, 11 Jun 87 pp 33-37

[Article by Yuan Wenqi [5913 2429 4388], Chen Jiaqin [7115 1367 0530] and others: "Despite Progress, Foreign Trade Reform Still Faces Problems"]

[Text] 1. Basic Evaluation of Foreign Trade Reform in China

China's existing foreign trade system is largely based on the Soviet system of state monopoly of foreign trade, the theory of product economy, and a unitary economic planning system. Among its characteristics is the centralized management of foreign trade by the state under which state-owned foreign trade enterprises handle every aspect of buying and selling. The production, procurement, and allocation of commodities all take place under centralized command planning. Foreign trade companies have a state monopoly on purchase and marketing. Profits and losses are the sole responsibility of the national treasury. Following steady growth in foreign trade, some adjustments have been made to the foreign trade system. Nevertheless, it remains an ossified system characterized by "eating from the big pot" where government and enterprise functions are fused and where foreign trade enterprises enjoy a business monopoly. This ossified foreign trade system does not meet the objective needs of the new situation in the nation as it opens to the outside world, pursues economic invigoration at home, and develops a commodity economy. Nor does it satisfy the objective needs of the ferociously competitive and ever-changing international market. It is imperative therefore that the foreign trade system be reformed.

To meet the needs of opening the country to the outside world, boost foreign trade, and accelerate socialist modernization following the 3d Plenary Session of the 11th CPC Central Committee, China has introduced a series of reforms in its foreign trade system since 1 January 1980. The reforms were based on modern trends in international trade and the conditions inside China, with foreign experience as a guide. Over the past 7 years, much progress has been made in China's effort to establish and perfect a socialist foreign trade system with Chinese characteristics. The achievements have been considerable.

First, local power to conduct foreign trade has been expanded and new foreign trade channels have been opened up. To put an end to the traditional monopoly

on foreign trade and mobilize the enthusiasm of localities, departments, and enterprises to increase exports, the corporations have decentralized some of their foreign trade powers. Apart from individual commodities, Guangdong and Fujian are authorized to export all other export commodities on their own. Beijing, Shanghai, and Tianjin have each set up a foreign trade corporation with the power to import and export a range of commodities. Other provinces and autonomous regions have had the scope of business they can operate on their own enlarged to various extents. At the same time, industrial finished products, particularly electronic machinery, which used to be the province of foreign trade enterprises, have been hived off to the import and export companies newly established by departments in charge. As trade channels were increased, exports have gone up. So far all provinces, municipalities, autonomous regions, and cities with province-level economic decision-making authority have opened ports for foreign trade. Today there are close to 1,000 miscellaneous foreign trade companies. In addition, over 130 large and medium-sized production enterprises have been authorized to engage in foreign trade directly. A number of wholly owned companies and joint ventures have also been set up in regions and countries like Hong Kong, Japan, Switzerland, Britain, and the U.S. to offer a new way to expand exports and invigorate the economy.

Second, industry-trade and technology-trade integration has been strengthened and production is now more closely tied to sales. Because of the divorce between industry and trade, the separation of production from sales, industrial enterprises' failure to understand the needs of the international market, and foreign trade enterprises' lack of access to information, what is produced is not what the market needs or cannot compete on the international market. To increase the sales of industrial manufactured products, open up new markets, develop new products, establish a stable marketing and sales network overseas, and gradually modify its export mix, China has innovated several flexible forms of industry-trade integration in the course of foreign trade reform, such as joint industry-trade management, joint management of specialized machinery products, self-management for industrial enterprises, self-management by integrated enterprises combining industry and trade, and joint enterprises combining industry and trade, etc.

Third, the foreign trade planning system has been reformed and a new system combining command planning with guidance planning has been introduced. In the past, all export commodities were subject to command planning. Over-planning led to rigidity and was not conducive to foreign trade enterprises doing business flexibly in response to changes in the international market. As a result of reforms, the number of product varieties subject to command planning has been reduced while the scope of guidance planning has been augmented. Also, procurement planning and allocation planning have been abolished and interregional procurement is now permitted.

Fourth, administration has been simplified, power has been decentralized, government and enterprise functions have been separated, and a two-tier foreign trade management system has been introduced. Practice proves that the merging of politics and business and the subordination of foreign trade enterprises to departments in charge of foreign trade militate against effective macroeconomic control and management by the state as they do nothing

to promote the service, planning, coordinating, and supervisory functions of government administrative and managerial departments. Moreover, they fail to mobilize fully the vitality that foreign trade enterprises should have. After political and enterprise functions were separated, the power of foreign trade administration and management was concentrated in the hands of the Ministry of Foreign Economic Relations and Trade [MOFERT], leadership was centralized, and responsibilities were clearly pinpointed. A two-tier management system was introduced, the two tiers being MOFERT and the various provincial, municipal, or autonomous regional foreign economic relations and trade bureaus (commissions). After MOFERT was specifically put in charge of administration and management, it has drawn up legislation in cooperation with law-making bodies, prepared a series of rules and regulations, and created offices staffed by special personnel in such major ports as Shanghai, Guangzhou, and Dalian in order to manage and guide import and export trade effectively. At one point, for instance, the localities, sectors, and enterprises were hit hard by goods exported through unofficial channels and sold at much less than official exports. The results were an outflow of profits and a chaotic export scene. Zeroing in on this situation, MOFERT has instituted a comprehensive license and quota control system for the Hong Kong and Macao markets and brought the problems under control. Meanwhile, freed from the shackles imposed by administrative and management departments and armed with a fair measure of managerial autonomy, foreign trade enterprises are now better placed to implement the economic contracting system. After it receives the three economic targets--the export and foreign exchange-earning plan, export costs, and profits/losses plan--from MOFERT, the foreign trade corporation then subcontracts them to various specialized branch companies. The branch companies, in turn, further assign them to offices, sections, groups, or individuals who would actually be responsible for fulfilling them. That way not only are the employees' individual earnings tied to the fulfillment of the plan by their unit, thereby getting rid of "egalitarianism" in distribution, but the ground is also laid for the final abolition of the "eating-from-the-big-pot" system under which the government treasury is responsible for all profits and losses.

The reform of the foreign trade system has been accompanied by corresponding changes in the foreign trade system. On 5 July 1986, the renminbi was devalued 15.8 percent, to \$1 = 3.7 yuan, against 18 foreign currencies including the dollar. The latest downward devaluation of the renminbi brings the currency one step closer to its true value, narrows the gap between the two price systems at home and abroad, and makes the exchange rate more realistic. Thus this exchange rate adjustment is a step in the right direction and should be endorsed.

## 2. Reform of Existing Foreign Trade System and Major Issues in the Development of Foreign Trade

As noted above, foreign trade reforms in recent years have paid dividends in a number of ways and promoted China's foreign trade to a degree. At the same time, however, we should be aware that since foreign trade reform and foreign trade itself are complex pieces of systems engineering in which we remain fairly inexperienced, we have encountered some problems even as we make progress.

Briefly these are the problems yet to be resolved:

First, further reforms and developments in foreign trade require a break with traditional foreign trade theories.

Since it opened to the outside world, China has taken a big stride forward in foreign trade and made various changes in its foreign trade system. Foreign trade theory, however, has trailed the practice of foreign trade. Lacking is a comprehensive and systematic theory. In particular, we have yet to make a clean break with the traditional foreign trade theory. We must reform the traditional foreign trade theory and concepts in accordance with the basic tenets of Marxism on international trade in order to effect a fundamental change in traditional foreign trade theory. This is the key to achieving further reforms and developments in foreign trade. China engages in foreign trade primarily to realize the value of export commodities. To suggest theoretically that the main purpose of socialist foreign trade in the new era is to "regulate surpluses and shortages" is consistent with neither the laws of the socialist commodity economy nor basic Marxist teaching about international division of labor and international exchange. Marx pointed out, "Exchange makes it possible for the value of commodities to be realized. Any new object of exchange, in the final analysis, represents new value in itself. This is why the magnitude of value will increase. Thus as new exchange sources are opened up, the magnitude of value of both domestic and foreign trade will increase." (Footnote 1) ("Collected Works of Marx and Engels," Vol 44, pp 118-119) Based on the Marxist tenet about the increase of value in foreign trade, it is the primary aim of China's foreign trade to realize new value for the state. That is the only way to accumulate more funds for China's modernization and to import the technology, equipment, and other materials required for modernization.

The existence of two different schools of thought about the objective of socialist foreign trade inevitably gives rise to two totally different demands on the foreign trade system. By virtue of its emphasis on the exchange of commodities in their tangible form through foreign trade, the "surplus and shortage regulation" school is objectively compatible with the centralized foreign trade system that makes no distinction between politics and business and holds the state accountable for all profits and losses. Unavoidably it ignores the economic results of foreign trade and fails to generate an internal momentum for reforming the foreign trade system. In contrast, the kind of socialist foreign trade whose primary objective is to realize the economies of social labor and increase the country's magnitude of value objectively creates a strong internal demand for reforming the old foreign trade system. The reason is that if foreign trade is to succeed in economizing social labor and increasing the magnitude of value, it must make the improvement of economic results its top priority. But this will not happen if the foreign trade system remains a highly centralized "eating-out-of-the-big-pot" affair where government and business are merged and the state assumes responsibility for all profits and losses. Only by reforming the old foreign trade system can we achieve the above goal of socialist foreign trade.

Second, the improvement of economic results must be adopted as the guiding principle for foreign trade reform and foreign trade development.

The ultimate goals of foreign trade reform should be exactly the same as socialist foreign trade. If the aims of socialist foreign trade are to realize more value and increase the country's magnitude of value, then the primary guiding principle of foreign trade reform and foreign trade development is to vigorously expand China's capacity to export and earn foreign exchange within a framework of improving macroeconomic results, that is, ensuring the national economic benefits of foreign trade.

Owing to the lack in the last few years of a clear guiding principle for foreign trade reform and foreign trade development, we have not been able to find a proper and satisfactory relationship between the growth rate of foreign trade and the macroeconomic results of foreign trade.

First, export. The main concern here is to correctly understand the relationship between the foreign exchange generated by exports and the economic results of exportation. Over the past few years we were indeed aware of the importance of increasing exports and earning more foreign exchange. Oftentimes, however, we emphasized the expansion of export volume while ignoring export economic results. In other words, we have neglected to increase the foreign exchange earned per unit of export. Practice shows that the expansion of export volume is not necessarily in direct proportion to the increase in foreign exchange earned per unit of export. On the contrary, the over-expansion of the export volume of a certain commodity frequently leads to a decline in the amount of foreign exchange earned per unit of export, thus defeating the purpose of earning more foreign exchange. Take, for instance, oolong tea, one of China's special products. Statistically, the export volume of oolong tea rose steadily from 1982 through 1985, when it hit a peak of 8,300 tons, up 167 percent over 1982. Yet the export price of oolong tea declined year after year, from \$4,346 per ton in 1982 to \$3,249 per ton in 1985, a drop of 25.2 percent compared to 1982. The same thing is happening to raw silk exports. Certainly there are manifold reasons for the decline in the export prices of these commodities, but the preoccupation with increasing export volume to the neglect of export economic results is an important factor. There is a limit to the capacity elasticity of the international market for any commodity. When the capacity is exceeded, the export price will fall automatically. Hard pressed to find foreign exchange to pay for imports, enterprises cannot objectively afford to worry about economic results. There even have been cases where enterprises were ready to unload their merchandise at a loss in return for foreign exchange. The failures in macro management in foreign trade in recent years have meant that we have been unable to face foreign businessmen with a united front. By slashing prices on the international market and competing against one another, we have caused the state severe losses.

The major issue in import is to rein in unnecessary haphazard imports. In recent years, the unsound domestic pricing of imported commodities has spawned an explosion of non-essential imports. In addition, the international prices of many imported products far exceed those of similar domestic products. After they are imported, they are sold to goods-consuming sectors at domestic

prices, the differences being made up by state subsidies. The result is deepening losses for MOFERT and the corporations under it in their import business. It should be noted that the tendency toward unchecked importing is getting out of hand. This artificial import scramble will not only worsen the shortage of foreign exchange and hence intensify the pressure to export, but will also undercut our fight for favorable import prices by boosting the sham demand for imports to a certain extent.

Third, government and business are still merged.

To separate government from business is compatible with the objective requirements of the policy of opening to the outside world and developing a commodity economy. It also lies at the heart of foreign trade reforms and holds the key to its success. Judging from the present situation, however, foreign trade enterprises do not enjoy full autonomy in planning, finance, management, and operations, as demonstrated by the following: 1) because they are assigned over-ambitious export and foreign-exchange earning targets, foreign trade enterprises cannot but concentrate on quantitative increases in export volume and foreign exchange earnings, while ignoring to strengthen management and operations and lower export costs. Consequently their economic results suffer. 2) between macro control and micro invigoration, policies and measures are not well coordinated. Distorted domestic prices, an irrational tax system, and unreasonable exchange rates have forced up the export costs of foreign trade enterprises year after year and prevented the implementation of an import and export agency system. Apart from foreign trade enterprises in special economic zones, which assume responsibility for their profits and losses, the bulk of foreign trade enterprises and export-oriented enterprises today still operate under the "eating-from-the-big-pot" system in which the state is accountable for their profits and losses. Enterprises with contributions do not get their faire share of economic benefits, while money-losing enterprise turn to the state for subsidies, so that "genuine losers" become indistinguishable from "false losers." Within the enterprises themselves, egalitarianism remains a serious problem in distribution, a microcosm of the phenomenon of "eating off the big pot." Economic responsibility systems are not implemented conscientiously. Penalties are not clear-cut. Responsibilities, rights, and interests are not related to one another.

Fourth, industry-trade integration has not been tackled at the fundamental level.

This is primarily shown in the following ways: 1) on the business side, with two companies handling one commodity, sharp conflicts arise as they compete for customers and supply sources; 2) industry and trade are jealous of each other's economic interests. The costs of industrial production and export prices are closely guarded secrets; 3) as far as the forms of integration are concerned, government and business are still fused. That is, the newly established "industry-trade" companies have replaced the original foreign trade administrative machinery. As economic entities, industry and trade enterprises have not been truly integrated. Studies show that after they became self-managed, some joint industry and import and export companies have been forced by a lack of foreign trade professionals and customer channels to

transfer a host of highly skilled engineering and technical personnel to the sales and marketing departments and compete for markets with foreign trade enterprises. Foreign trade enterprises, for their part, relocate to other provinces or suburban counties where they set up new export production facilities. The decline in quality has not only affected the reputation of brand-name products, but also created a shortage of orders for existing factories which are thus forced to operate under capacity.

### 3. Measures to Reform and Develop Foreign Trade

With the above problems in mind, we hereby put forward a number of measures and suggestions as follows:

1. The improvement of economic results should always be the basic starting point for foreign trade work. In foreign trade, national economic interests should take center stage and constitute the yardstick for evaluating performance. Provided that export economic results are ensured, exports should be increased, more foreign exchange should be earned, and the export of products at a loss should be strictly controlled.
2. The macro control and management of foreign trade should be intensified. The macro centralized management of foreign trade should be organically integrated with its micro decentralized operations to bring about unified management and present a united front to foreign business. That way all sectors, companies, and enterprises in foreign trade will become more competitive on the international market and the economic results of foreign trade will improve steadily. This is vital to protecting national economic interests and is an important function for foreign trade administrative departments after government and business are detached from each other. With that in mind, it is suggested that China set up a foreign economic relations commission to oversee all ministries, commissions, and departments involved in foreign economic relations and trade and decide all major policies affecting the nation's foreign economic relations and trade. In other words, the national foreign economic commission should determine all policies, laws, and regulations on the macro control of foreign economic activities and arrange for their implementation by the departments concerned to ensure that the foreign economic activities of foreign trade enterprises are more in line with the overall demands of the nation's foreign economic development.
3. To really remove government from business, all foreign trade enterprises must be given managerial autonomy, practice independent accounting, be responsible for their profits and losses, and conduct themselves like a business. They should manage themselves and operate autonomously to the extent permitted by state policies and laws and become dynamic economic entities. In a socialist planned commodity economy, the relationship between foreign trade enterprises and the state, and between enterprises themselves, should be realized through the commodity and currency relations. The foreign trade enterprises are owned by the state, but they should have the freedom to manage themselves. By completing the import and export plans, enterprises will be able to pay taxes and profits to the state, thus reflecting state ownership. After government and business are separated, foreign trade enterprises function as commodity dealers with the status of legal persons and

should possess managerial autonomy. For example, by developing a variety of lateral economic associations, they import technology and key equipment to be used by production departments in the production of exports. They invest in production departments and engage in joint operations, cooperative production, processing of imported materials, compensation trade, and other export-boosting activities with production departments in order to improve their own self-managerial abilities. In addition, domestic and foreign sales and marketing mechanisms must be set up and perfected. An information network must be established. International market research must be conducted and feedback must be made available to production enterprises promptly to guide the manufacturing of popular readily marketable products and increase their ability to open up new markets.

4. Industry-trade integration must be tackled conscientiously. First, the meaning of industry-trade integration must be correctly understood. So-called industry-trade integration means that industrial enterprises and foreign trade enterprises closely coordinate their activities in import and export, cooperate with each other, and engage in a reasonable division of labor, each with their own concentration, in order to make the most of both sides' strengths. In other words, with industrial enterprises emphasizing production and foreign trade enterprises stressing trade, the two should work together to improve export quality, increase the capacity to earn foreign exchange, and improve economic results. Second, the present fusion between government and business functions in industry and trade companies should be brought to an end so that industrial enterprises and foreign trade enterprises can really cooperate closely by integrating production with sales and marketing. Industry-trade integration can take all forms and shapes, including joint industry-trade operations. Alternatively, industry and trade can conclude deals jointly, with the foreign trade enterprise serving as the export agent; enterprises making similar kinds of machinery may operate jointly; or industry and foreign trade enterprises merge as export enterprises. Third, to ensure equal competition, same kinds of products should be treated similarly as far as credit, taxes, prices, subsidies, and rewards are concerned irrespective of which of the foreign trade enterprises authorized to engage in foreign trade handles them.

5. Apart from vigorously improving the quality of export products, upgrading design, variety, and packaging, and accelerating product succession, we must take pains to apply marketing techniques, paying special attention to pricing strategy, if export economic results are to be bettered. In particular, we should make full use of the monopolistic position enjoyed by some of the nation's products on the world market. Based on changes in the demand of the international market, we should determine the volume of exports scientifically to ensure ever-rising prices. According to statistics, there are at least 20 products so far in which Chinese output can effectively control the international market, such as raw silk, silk, tungsten, and oolong tea. We should, therefore, use this monopolistic advantage and control their prices on the world market. To that end, we must first control the volume of exports scientifically so that we can raise their prices, thus generating maximum economic results for the nation.

6. Both economic tools and administrative measures should be employed to severely limit unnecessary imports. Imports for domestic consumption must in particular be curtailed. That way foreign exchange, already scarce, will be saved, the pressure to export will be eased, and the development of domestic industries will be promoted. Accordingly unreasonable import pricing practices must be reformed and state allocation pricing should be replaced by agency pricing.

7. At a time when foreign trade reform has not been completely coordinated and domestic demand continues to soar, exchange rates should not be revised substantially in the next couple of years. Instead we should devote major efforts to making foreign trade reform a success, straightening out prices, implementing economic responsibility systems in foreign trade enterprises, mobilizing export initiative, and limiting imports properly without raising tariffs. We must institute an exchange settlement certificate system under which exchange must be settled by a set time. For merchandise that remains unsold at the end of the specified time, the enterprise concerned should settle exchange with the central bank according to the list price. This will boost microeconomic invigoration as well as facilitate macroeconomic control. As long as the current export mix acts as a constraint on exports and prevents them from expanding more rapidly, the state should step up the centralized management of foreign exchange.

8. China has been living with large trade deficits in recent years. To maintain a balance in foreign trade, it is suggested that we make full use of a new form of reciprocal trade recently proposed by developed nations--international trade certificate (to be issued by the national bank of an exporting nation to the importing nation pledging that the importing nation would have corresponding export rights). As protectionism in international trade rises, reciprocal trade has become a major trend in world trade. According to estimates by agencies concerned in the U.S., reciprocal trade will account for 50 percent of total world trade by the end of the century.

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CSO: 4006/850

## JINGJI GUZNL VIEWS RETIREMENT FUND PLANNING

HK280041 Beijing JINGJI GUZNL in Chinese No 4, 1987 pp 34-35

[Article by Xie Yongmei (6200 0737 1734): "Initial Unified Planning on Retirement Fund"--edited by Lin Daojun (2651 6670 0689)]

[Text] In recent years, the problem of ensuring the livelihood of the retired staff and workers of the second category light industry collective enterprises in Anhui Province has become acute. As the large number of staff and workers who joined the collective enterprises during the collectivization period have reached retirement age, the number of retirees of enterprises has increased substantially. Under such circumstances, many enterprises cannot afford the retirement fund of staff and workers, and the economic efficiency of the enterprises as well as the morale and spirit of the staff and workers are thus seriously affected. Therefore, how to solve properly the problem of "ensuring the livelihood of old staff and workers" of collective enterprises is an urgent task for the departments in charge of various levels of the light industrial sector, particularly for the departments in charge of the joint cooperatives of the handicraft industry.

I

As for the issue of the retirement fund of staff and workers of the second category light industry collective enterprises, the Ministry of Light Industry, the Ministry of Finance, and the State Bureau of Labor had stipulated in explicit terms in 1977 that the allocation of retirement fund should be based on that of the state-owned enterprises and "should not be drawn from the operation fund" of the enterprise. In the previous period, various areas of our province had adopted this method, and thus the livelihood of retired staff and workers of enterprises, and of the retired cooperative members was secured. However, with the rapid increase in the number of retirees, the burden of the enterprises become very heavy. According to statistics, at the end of 1980, the number of retired staff and workers of the second category light industry collective enterprises amounted to 9.8 percent of the total number of the staff and workers of the enterprises' at the end of 1981, it amounted to 11.8 percent; it was 12.8 percent at the end of 1982, and had increased to 14.8 percent in 1984. At the end of 1985, the percentage fell to 14.3 percent. However, the number of retired staff and workers in that year (1985) amounted

to 26.118 people, 1,098 more than that of the previous year, and that was 64 percent more than that of 1980. The total amount of the retirement fund in 1985 was 14.36 million yuan, amounting to 11 percent of the total value of wages of the enterprise, or 0.98 percent of the sales proceeds of the enterprise. The ratio of the number of retired staff and workers to the number of existing staff and workers of different localities, sectors and enterprises, particularly among the enterprises within a single county or city, is extremely unbalanced. The economic burden of some enterprises is abnormally light, while that of some enterprises is abnormally heavy; and the gap in between these two extremes is very huge. The ratio of the number of retired staff and workers to the number of existing staff and workers of provincial enterprises, in general, is higher than that of city enterprises. In areas which were advanced in the handicraft industry in the pre-liberation period, the ratio of the number of retired staff and workers to the number of existing staff and workers is higher than that in areas whose handicraft industry developed in a later period. For the traditional sectors such as the dress, shoe and hat manufacturing industry, the arts and crafts industry, and the furniture manufacturing industry, the ratio is higher than that of the newly developed sectors such as the plastic industry and the domestic electrical appliance manufacturing industry. The problem is particularly serious in the old enterprises of small towns which are below the county level. For instance, four staff and workers of the village and town enterprises of Tianshang county on average have to shoulder the retirement fund of one retired worker. In some enterprises, "two workers have to support one retired worker," or even "one workers has to support one retired worker." The burden of retirement fund of an enterprise has far exceeded its economic capacity to bear.

In order to ensure the basic livelihood of retired staff and workers in a realistic way, to free the minds of existing staff and workers, particularly the aged staff and workers, and to strengthen and develop the collective economy, and on the basis of the spirit of document No. (83) of the Ministry of Light Industry and the All-China Federation of Handicraft Cooperatives approved land circulated by the State Council as well as the spirit of the "Circular Concerning Unified Planning on Retirement Funds in Second Category Light Industrial Collective Enterprises," and starting from 1983, we have set up trial points of unified planning on retirement funds in six counties and cities. In November 1985, we organized a seminar on the work of unified planning on retirement, in which 17 counties and cities had taken part. At the seminar, we summarized and exchanged experiences of the trial points, thoroughly discussed some concrete problems, and also formulated a plan for future tasks. Up to now, 15 counties and cities of the province have implemented unified retirement fund planning.

We realized from practice that the prime object in pursuing the method of unified retirement fund planning for enterprises lies in easing the minds of cadres and staff and workers, and in making them, and particularly the departments in charge, understand the aim of unified retirement fund planning. The issue of properly settling the retired lives of the aged staff and workers of collective enterprises who have suffered from a lot of difficulties and frustrations in their lives in the past 30 years is not only an economic issue,

but is also a social political issue. It concerns the question of whether the superiority of the socialist collective economy can be realized, and whether the retired staff and workers of collective enterprises have the same retirement treatments as those of the retired staff and workers of whole-people ownership enterprises. The results of the trial counties show that it is advantageous to stabilizing and unifying the staff and workers, and it is also advantageous to arousing the enthusiasm for production among the staff and workers, by taking city and county as the basic units to implement unified planning. This practice is commonly supported by both retired and existing staff and workers. The party and government leaders are also satisfied with its results. This practice has also brought good social influences; and production has been continuously developed and economic efficiency gradually increased.

## II

The experiences of the trial counties and cities of our province in implementing unified retirement fund planning can be summarized into four points:

1. We should assess the present situation, the trend of the present situation, and the ability to shoulder economic burden, of the retired staff and workers of various enterprises. Then we can carry out detailed examination and prediction to provide the bases for the formulation of unified planning. At the early stage of the implementation of unified planning, we should act according to our capability. It is better to cover a small scope and scale at later stage. The scope and scale of unified planning should be expanded gradually, and the number of items to be covered by the scope of unified planning should depend on our capability. In general, we can be responsible for retirement funds, price subsidies of non-staple food, and grain subsidies in the first stage. When economic conditions allow, medical expenses, pensions for families deceased of the etc., can also be covered. The proportion of retirement fund to be drawn from enterprises under unified planning of retirement funds can be divided into two or three schemes according to the number of retired staff and workers of the enterprises, and the economic capability of the enterprises. For instance, Tianchang County stipulates that enterprises which have retirement funds less than 12 percent of the total value of wages can withdraw 12 percent of the total value of wage of the enterprises as their retirement fund; enterprises whose retirement funds exceed 12 percent of the total value of wages can withdraw 16 percent. The aim of this practice is to give enterprises reasonable responsibilities.
2. The principles of "using the amount of expanses to determine the amount withdrawn, leaving a surplus balance, fixing the amount of expenses every year, listing all the expenses before tax, opening special accounts to save the expenses, and using special funds for specified purposes," should be implemented. At the initial stage of the implementation of unified planning on retirement funds, we can withdraw an amount of money equal to the amount of a month's retirement pension of staff and workers from the enterprises as an operation fund. The surplus balance of the retirement fund should be carried forward to next year's account; if the amount of the present year's fund is not enough to cover all the expense, the deficit should be appropriately compensated from next year's fund.

3. A committee of unified planning on the retirement fund should be set up. It should be headed by the comrades in charge of the managing departments, and it should also invite representatives of basic levels to join. The personnel and financial departments of important bureaus should be responsible for the task of overall planning, and they should assign personnel to take charge. The duties of the committee include: Formulating and stipulating the details of the implementation of unified planning and on retirement fund, evaluating and approving retirees, managing and supervising the raising and distribution of the fund, conducting investigation and research, and summarizing experiences.

4. We should get comprehensive cooperation and support from the tax departments, banks and labor departments to ensure a smooth implementation of unified planning on retirement funds.

As for the problems arising in the course of the implementation of unified planning on retirement funds, we solved them in the following ways:

1. The way to calculate and withdraw the amount of retirement fund under unified planning, in principle, is based on the total value of wages of all staff and workers. Some areas that have based their calculations on the total sales proceeds, or based them partly on the total value of wages and partly on the total sales proceeds, can continue to use this method on an experimental basis.

2. For the retired staff and workers of dissolved enterprises, we worked on the spirit of "helping each other in the same boat," and included them in the scope of unified planning on the retirement fund; and their payment for withdrawal can be set at a lower level so as to ensure their basic living expenses. Guichi County had paid 80 percent of their wages to this type of retiree; and various units which were within the scope of unified planning on retirement funds are willing to accept this method.

3. As for the retired staff and workers who have secured other jobs, we stopped giving them retirement pension, or allocated them a smaller amount of retirement pension according to their income.

4. At present, the retired and temporarily retired state comrades of collective enterprises, whose retirement pension is paid by the enterprises, are still covered by the scope of unified planning on the retirement fund. However, we suggest that from now on, their pension should be paid by local financial sources.

### III

The implementation of unified retirement fund planning of second category light industrial collective enterprises is in fact a reform. The leading departments of the party and the government, and other departments concerned, have paid a high degree of attention to it. Some departments in charge in cities, counties and state-owned enterprises have also considered the implementation of unified planning on retirement funds. With the advancement of the reform of

the economic system, and with the streamlining of the organizational structure, and the cutting down of unnecessary staff of government departments, the issue of expanding the scope of unified planning on retirement funds and the issue of exploring new models for unified planning are raised. Some local areas plan to implement unified planning in all collective industrial enterprises in cities and counties. Some local areas suggest breaking the bounds of state-owned and collective industries, and installing unified planning in public enterprises. There are also some local areas which have suggested implementing unified planning in all enterprises, regardless of their nature. There are also people suggesting that old enterprises implement unified planning; and they also suggest that the staff and workers of newly established collective enterprises, which are mainly responsible for arranging jobs for young people and will not have retired staff and workers for several decades, join the retirement social insurance scheme. We consider that, if these tentative ideals which suggest that the implementation of unified planning should not only be restricted to a single department, and should not be restricted to a single system, could be realized, the results brought by these tentative ideas would be advantageous to the socialization of unified planning, and they would also bring many advantages. We hope that departments in charge of second category light industrial enterprises can have the courage to explore and find a new road which can solve the problem of "ensuring the livelihood of old staff and workers" through various models. At the same time, we also wish to see the early establishment of coordination organizations or management centers in various areas responsible for the overall management of retirement to insure the livelihood of old staff and workers.

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## GUANGDONG STATE-RUN ENTERPRISES REFORM WAGE SYSTEM

HK280421 Guangzhou Guangdong Provincial Service in Mandarin 0300 GMT 23 Jul 87

[Text] According to NANFANG RIBAO, over the past few years, the province has actively and steadily conducted reform and explored two aspects of the wage system, achieving fairly good results.

On the one hand, the province has explored a road of handling the relationship between the state and enterprises in wage distribution macroeconomically and adopted in some enterprises the method of relating the total wage bill to their economic results. The total wage bill of an enterprise now depends mainly on its economic results instead of the state's allocation in the past. This method plays an active role in changing an enterprise's appearance, in invigorating the enterprise, and in improving its economic results. On the other hand, the province has delegated power to enterprises microeconomically and gradually enlivened internal distribution within enterprises. Within the scope of the total wage amount set by the state and the limit of wage policies, enterprises are permitted to make decisions by themselves and to adopt flexible and varied forms of wage distribution in accordance with the principle of distribution according to work. This method has rectified the defect of equalitarianism under which workers eat from the same big pot of the enterprise and helped arouse the enthusiasm of the workers.

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## RENMIN RIBAO ON GUANGDONG'S LABOR, WAGE REFORMS

HK300515 Beijing RENMIN RIBAO in Chinese 22 Jul 87 p 1

[Dispatch by reporter Liang Zhaoming (2733 0340 2494): "Guangdong Province Reforms Labor and Wage Systems with Good Results"]

[Text] Boldly explored for several years, the reform of labor and wage systems in Guangdong Province, centering on the endeavor of instilling greater vitality into enterprises, has started to profoundly touch people's long-term ideas about the "iron rice bowl" and "everyone eating from the same big pot." This has played a good role in inspiring the enthusiasm of the workers and other employees and infusing enterprises with greater vitality.

The reform of the labor system has made a major step forward. All state-run enterprises of the province have adopted the system of signing labor contracts in a unified way in recruiting new workers. According to the figures to the end of last May compiled by the provincial labor department, the number of contract workers in the province had reached 555,000, making up 10 percent of the country's total. Meanwhile, a series of measures have been taken in compliance with the reform.

Except for one or two trades, all others have abolished the system of "children replacing their parents." Instead, in recruiting new workers from society, they choose the best to meet the needs of enterprise production. At the same time, in reforming the system of employment, the province has applied the "triple combination" principle. Last year more than 410,000 jobless people were properly arranged, basically solving the job-awaiting problem left over by history.

In reforming the wage system of enterprises, Guangdong Province has first looked into how to properly handle the relationship between the state and enterprises in wage distribution. In line with actual conditions, many enterprises have introduced the system in which the amount of wages is fixed for every 100 yuan's worth of finished work, and the method of letting the total payroll fluctuate according to the economic performance of the enterprise, and they have achieved the expected results. For example, 28 state-run enterprises which determined base figures for both their total payrolls and their projected taxes and profits delivered to the state increased their taxes and profits delivered to the state by 12.51 percent last year against the base figures, raised wage payrolls by 7.52 percent, and increased per-capita wages by 3.34 percent.

## SICHUAN PROVINCIAL FAMILY PLANNING RULES

HK270749 Chengdu SICHUAN RIBAO in Chinese 4 Jul 87 p 4

["Sichuan Provincial Family Planning Regulations, Adopted by the 26th Meeting of the 6th Provincial People's Congress Standing Committee on 2 July"]

[Text] Chapter One: General Principles

Article 1. To practice family planning, exercise control over the population, and improve the quality of the population so that population growth would be suited to economic and social development plans, these regulations are enacted in accordance with the PRC Constitution, PRC Marriage Law, and relevant regulations of the state, and in connection with Sichuan's actual realities.

Article 2. Both husband and wife have the duty to practice family planning.

Article 3. The principle of ideological education and necessary administrative and economic means with the stress on the former should be implemented in family planning to achieve the results of late marriage, late and fewer births, and eugenics.

Article 4. The local people's government at all levels should strengthen leadership over family planning and be responsible for implementation of these regulations.

All units should implement the responsibility system in family planning work. The departments concerned should attend to their duties according to division of work.

Village committees and township neighborhoods should establish relevant systems to do a good job of family planning.

Article 5. The local family planning committees at all levels are the competent departments in family planning work.

The family planning work departments of township (town) people's government and urban subdistrict offices are in charge of family planning work of their own township (town) and districts under their jurisdiction.

## Chapter Two: Late Marriage, Late Births, and Birth Control

### Article 6. Late marriage and late births are encouraged.

Late marriage means that both men and women are married 3 years later than the lawful age. Late births mean birth by women aged 24 and above.

### Article 7. Births should occur in a planned manner.

Each couple is encouraged to give birth to one child.

No births must occur without marriage.

### Article 8. Couples that can meet the following requirements may give birth to a second child:

1. The first child has a non-hereditary disease and cannot become a normal laborer;
2. Marriage between only son and daughter;
3. In the rural areas, the groom moves to the bride's (only daughter) house after marriage;
4. Only sons and daughters of martyrs in rural areas;
5. Disabled demobilized soldiers in rural areas with Merit Citation Class II, A;
6. Those in rural areas who were disabled while on duty and are equivalent to the disabled demobilized soldiers with Merit Citation Class II, A;
7. The person is the only one of several brothers in rural areas who can have children;
8. In the rural areas, the husband or wife is the only son or daughter for two generations;
9. In the rural areas of the Pengzhou mountain counties and the mountain townships (not including the flatland, hilly land, and valleys) within the basin approved by the cities (prefectures) of the economic construction zone, families with only daughters which have labor shortages;
10. In the rural areas of the remote mountain areas in Pengzhou mountain counties, families with only sons and daughters; and
11. Both husband and wife are returned overseas Chinese who have settled down in Sichuan.

Article 9. Those who have no children many years after marriage, but have become pregnant after adopting a child, may give birth to a child.

Article 10. Those who can meet one of the following requirements may give birth to a second child:

1. A widower or widow remarries and before the remarriage, the widower or widow has fewer than two children, while the spouse has no children; and
2. Husband or wife who remarry after a divorce and before the remarriage, one side has only one child, while the other has no children.

Article 11. For those who can meet the requirements of Articles 8, 9, and 10 and who want to bear children, both husband and wife should submit an application which will be examined and brought into line with family planning by the departments at the county level responsible for family planning work. Second births should be given at an interval of 4 years.

### Chapter Three: Eugenics and Birth Control

Article 12. The medical nad health centers for women and children and the family planning propaganda and technical guidance units at and above the county level should open eugenics and birth control consultative clinics.

Health examination should be conducted before marriage. Those who want to marry and give birth to children should receive engeenics and birth control guidance.

Article 13. Couples who ha ve serious hereditary diseases including psychosis, mental deficiency, and malformation must not be allowed to bear children. Those who are already pregnant must terminate the pregnancy.

Article 14. Focused on contraception, various measures should be adopted in birth control.

Either husband or wife should adopt sterilization measures after they have two children.

Contraceptive medicines and apparatus will be provided free of charge to couples who have reached child-bearing age.

Article 15. The medical units and family planning propaganda and technical guidance units responsible for ligation operations should have the necessary conditions for performing operations. Ligation operations should be performed by qualified doctors who have certificates issued by public health or family planning departments at and above the county level to ensure the health and safety of the patients.

The ligation operation charges of staff members and workers of state enterprises and collective enterprises in urban and rural areas will be paid by the enterprises concerned from the medical care fund. The operation charges of inhabitants in urban and rural areas will be paid by the family planning expenses.

Article 16. Owing to change of conditions, those who are allowed to bear children after undergoing ligation operations should receive anastomosis operations at a designated hospital with a certificate provided by the units concerned and with approval of county level departments in charge of family planning work.

Article 17. With the appraisal of the family planning technical guidance group at and above county level, those suffering from complications and sequelae arising from ligation operations will receive medical treatment. During the period of treatment, state personnel and workers of urban and rural collective enterprises will receive wages as usual, while the peasants will be exempted from voluntary labor within the year and the medical fees will be regarded as ligation operation expenses.

#### Chapter Four: Reward and Punishment

Article 18. If a couple has reached the requirements of late marriage and both of them are state personnel or workers of urban or rural collective enterprises, they will get a 10-day leave for marriage in addition to the holidays prescribed by the state. If they are willing to give late births, the wife will get a 20-day maternity leave in addition to the maternity leave prescribed by the state. The marriage and maternity leave will be regarded as attendance.

Peasants who are willing to give late births will be exempted from collective voluntary labor within the year.

Article 19. A couple with one child under the age of 14 who, after receiving ligation operation, may submit an application for only child certificate which will be verified by the units concerned and approved by the township (town) government or urban subdistrict office.

Article 20. If children born (covered by the plan) are twins or more, they are regarded as only children.

Article 21. Those who have obtained only child certificates will receive preferential treatment and be rewarded in light of the following:

1. Each only child will receive 5 yuan every month for health care until the child is 14. The units where the father and mother are working will respectively undertake 50 percent of the amount. The only child health care benefits of state personnel and workers of urban and rural collective enterprises will be paid by the financial department according to relevant stipulations. The only

child health care benefits of peasants will derive from the public welfare fund of the collectives or profits retained by township (town) enterprises. The only children in rural areas may also be exempted from accumulation and retention of common funds by the collective. The only child health care benefits of unemployed inhabitants in urban areas will derive from family planning expenses and those of private businessmen engaged in industry and commerce will be handled according to relevant stipulations.

2. While giving aid to the poor peasant households and recruiting workers for township enterprises, preferential treatment should be given to only children.

3. Under equal conditions, special treatment should be given to only children in health and medical care.

Article 22. The local government at all levels and departments concerned should commend and reward units and individuals who have done a job in family planning work.

Regarding localities and units that fail to properly implement these regulations, the government at or above the same level should make criticism, conduct education, and urge them to make improvements within a specified period.

Article 23. Those who refuse education and give birth to children not covered by the plan will be fined from the month the child is born. The wages or annual income of both husband and wife will be deducted by 10 to 20 percent for 7 years and the total sum should not be less than 500 yuan. Those who give birth to another child after the birth given according to Articles 8, 9, and 10 of these regulations will be fined at a minimum of 800 yuan. A heavy fine will be imposed on those giving births not covered by the plan.

Regarding pregnancy not covered by the plan, both husband and wife will be imposed a fine of 20 to 30 yuan a month during the period of pregnancy. If the pregnancy is terminated, the fine imposed will be returned.

The fine imposed will be used for family planning work only. The provincial family planning committee and finance department will work out use and management methods.

Article 24. If those giving births not covered by the plan are cadres and staff members, apart from imposing a fine, the units where they work should also apply disciplinary sanctions according to the seriousness of the case.

Article 25. Those who have received certificates for only children and are allowed to give birth to a second child should return their certificates and will no longer get rewards and preferential treatment from the month they are allowed to give birth to a second child. Those who give birth to another child without approval, apart from the measures stipulated in Articles 23 and 24, will no longer get rewards and preferential treatment for only children and must return the certificates and health care benefits for only children.

Article 26. Regarding doctors, nurses, and working personnel in charge of family planning work and marriage registration and state functionaries who violate these regulations, practice fraud, and accept bribes, the units where they work or the higher level competent departments should educate them through criticisms and disciplinary sanctions. If their practices constitute an offense, the judicial organs will investigate and affix the responsibility for the offense according to law.

Persons holding direct responsibility for accidents in ligation operations due to negligence will be handled according to relevant regulations.

Article 27. Regarding those who insult, threaten, and beat doctors, nurses, and working personnel in charge of family planning work or use other methods to obstruct family planning, the public security organs will handle the cases in light of the "PRC Regulations Concerning Public Security Management and Punishment." If the practices constitute an offense, the judicial organs will investigate and affix the responsibility for the offense according to law.

Article 28. Drowning, abandoning, selling and maltreatment of girl babies and their mothers are prohibited. Regarding those involved in any of these practices, the units where they work or the leading organs concerned should educate them through criticisms and disciplinary sanction in light of the seriousness of the case. If their practices constitute an offense, the judicial organs will investigate and affix the responsibility for the offense according to law.

Illegal removal of intrauterine devices is prohibited. In addition to confiscating the income obtained from illegally taking out the intrauterine device, a fine of over 500 yuan will be imposed. A heavy fine will be imposed on those who commit the offense repeatedly. The judicial organs will, according to law, investigate and affix the responsibility for injuries and deaths caused therefrom.

Article 29. If the family planning competent departments are responsible for meting out punishment for violation of these regulations, a decision on meting out punishment should be made by the basic level departments in charge of family planning work and sent to the person concerned with the approval of the township (town) people's government or urban subdistrict office. If the person concerned refuses to accept the punishment, he may appeal to a higher level family planning department for reconsideration within 15 days after receiving the decision. The decision will become effective if no appeal is made within 15 days.

The decision made by the higher level family planning departments after reconsideration is the final decision.

If the person concerned refuses to implement the effective decision, the family planning competent department at the county level may apply to the people's court to enforce the decision. If the decision is indeed erroneous, the people's court may stop its implementation and inform the competent department.

Article 30. If the decisions made by family planning competent departments which have become effective are indeed erroneous, they should be amended.

If a higher level family planning competent department has discovered that a decision made by a lower level family planning competent department is indeed erroneous, efforts should be made to amend the decision.

Article 31. The family planning cases accepted and heard by the local judicial organs at all levels according to legal procedures should be tried out in light of relevant state laws and these regulations.

#### Chapter Five: Supplementary Articles

Article 32. In light of the principle of these regulations and the actual conditions of the locality, the people's congress standing committees of the autonomous prefectures and counties may draft family planning measures of the autonomous prefectures and counties and submit them to the provincial people's congress standing committee for examination and approval.

Article 33. In accordance with these regulations, the provincial people's government may make stipulations on problems arising from implementation.

The specific problems regarding application in these regulations shall be explained by the provincial family planning committee.

Article 34. These regulations come into force upon promulgation. All previously promulgated rules and regulations of the province that conflict with these regulations shall be annulled.

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CSO: 4006/847

POPULATION

ECONOMIC

## HEBEI PROVINCIAL BIRTH RATE INCREASES

SK230445 Shijiazhuang HEBEI RIBAO in Chinese 11 Jul 87 p 1

[Text] Our province's total population increased from 30.86 million in 1949 to 56.27 million in 1986. According to the provincial Family Planning Committee, if this year's natural population growth level maintains that of last year, our province's population will have reached 56.69 million or more by 1 July (approximately accounting for 5.31 percent of the national population figure or 1.13 percent of the world population).

Our province's birth rate has increased remarkably during recent years. In 1981 the birth rate was 16.7 percent and in 1986 the figure rose to 20.42 percent. A total of 1,133,000 births occurred in 1986 and the natural population growth was 795,000 persons. If the average natural population growth of the recent 7 years (12.33 percent) is allowed to continue, the province's population will reach 66 million by the end of this century. This will greatly surpass the target of controlling the province's population within 62 million by the end of this century.

The overly rapid population growth affects not only the current social economic sectors but also the realization of the fighting goal of enabling the livelihood of the people to become comparatively well-off by the end of this century and of catching up with the level of the developed countries by the middle of the next century. To this end, the provincial party committee and the government called for efforts to resolutely and unremittingly grasp the family planning work and control the province's overly rapid population growth.

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CSO: 4006/847

## CIRCULAR URGES EASING OF SUMMER RAIL TRAFFIC

OW301405 Beijing XINHUA Domestic Service in Chinese 1552 GMT 29 Jul 87

[Text] Beijing, 29 Jul (XINHUA)--The State Council issued an emergency circular today, urging an easing of the strain on railway passenger transportation during the summer.

The circular says: In recent years, the State Council has repeatedly instructed strict control on holding meetings in famous tourist cities and scenic spots, and checking sightseeing on official trips. However, some localities and units have failed to reinforce the State Council instruction, thus causing serious strains to railway passenger transportation. According to reports by railway departments, due to the increase in the number of meetings and other activities by some units and people going on sightseeing, rest, and vacation, together with the summer vacation for students which began in early July, the volume of railway passenger transportation has risen drastically. From 1 to 27 July, the number of passenger handled by railways in the country totaled 84.39 million, up by 3.5 million from the corresponding period last year. Since the middle of July, the number of passengers per day has been more than 3.21 million, exceeding the normal average by some 400,000. In particular, the number of long-distance passengers exceeded that of the corresponding period last year by 1.25 million, a 12.3 percent rise. This figure even surpasses that for the period of the Spring Festival this year. Even though the railway department took measures to tap potential and increase transportation capacity, including by tentatively increasing the number of passenger train runs, these measures still failed to meet needs, and there was a very serious problem of overloading passenger trains.

In order to alleviate the strain and ensure the safety of railway transportation, the State Council's emergency circular calls for attention to the following points:

1. It is necessary to earnestly implement the State Council's "Circular Concerning Strict Control on Holding Meetings in Famous Scenic Spots," and its General Office's "Circular Concerning Strict Control of Meetings in Tourist Cities." No meetings should be held in famous tourist cities or scenic spots during the busy tourist season. Meetings originally scheduled

for the summer should be reconsidered. As for those meetings that must be held, approval from the competent authorities and concurrence from the railway department should be obtained. Otherwise, the railway department will not provide transportation.

2. It is necessary to firmly check sightseeing at public expense. From now on, if on some pretext a sightseeing trip is organized at public expense, it is imperative to investigate the liability of the principal responsible persons of the unit concerned and its related personnel. Serious cases in this connection should be dealt with as violations of administrative, financial, or economic discipline.

3. Offices, factories, mines, enterprises, and institutions should try to avoid the summer peak season in arranging vacations for their staff and workers.

4. In order to relieve the pressure on railway transportation, summer vacations for school teachers, workers, and staff, and military training, social surveys, and camping for students should be held in places near their residences.

5. Railway departments should continue to organize passenger transportation, step up planning in transportation, and guard against overloading trains in order to improve service and ensure passenger safety.

The State Council urges all localities and departments to conduct an inspection immediately after receiving this circular. They should earnestly correct those phenomena that run counter to the regulations concerned and the guidelines contained in this circular and should make appropriate arrangements. They should criticize, educate, and seriously deal with those units and individuals that do not comply with orders and prohibitions.

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CSO: 4006/860

## BRIEFS

HUNAN PEASANT INCOME--According to a sample survey of 3,700 peasant households in 37 counties in Hunan Province, in the first half of 1987 the average per capita cash income was 208.29 (excluding savings and loans), an increase of 31.56 yuan, or 17.9 percent over the same period in 1986. [Excerpt] [Changsha HUNAN RIBAO in Chinese 25 Jul 87 p 1]

HUNAN PIG PRODUCTION--From January to June, 13,645,200 pigs were removed from inventory in Hunan Province, a 4.6 percent increase over the same period in 1986, of this amount the number shipped to other provinces increased 68.8 percent over the same period in 1986. At the end of June, there were 27,585,200 pigs in Hunan, a 1.8 percent increase over the same period in 1986; the number of sows decreased 5.9 percent from the same period in 1986. According to statistics on the 3,616,700 pigs procured by the Provincial Meat and Food Corporation, the average weight of each pig dropped from 93.6 kilograms in 1986 to 84.2 kilograms. [Excerpts] [Changsha HUNAN RIBAO in Chinese 30 Jul 87 p 1]

NEI MONGGOL LIVESTOCK--According to Nei Monggol statistics at the end of June, the number of livestock (excluding pigs) in stock was 40,315,000, an increase of 1,493,000 head over the same period in 1986, or a net increase of 3.8 percent. The number of fine and improved breeds of livestock was 16,470,000, accounting for 40.8 percent of the livestock, and a 3.3 percent increase over the same period in 1986. Cows numbered 4,453,000, an increase of 80,000 head over the same period in 1986. Female livestock accounted for 43.4 percent of total stock. [Excerpts] [Hohhot NEI MENGGU RIBAO in Chinese 27 Jul 87 p 1]

JIANGSU SILKWORM COCOONS--This spring output of silkworm cocoons in Jiangsu Province was 706,700 dan, a 4.5 percent increase over the same period in 1986. Peasant income from each dan of cocoons was about 50 yuan more than 1986. [Excerpts] [Nanjing XINHUA RIBAO in Chinese 24 Jul 87 p 2]

ZHEJIANG FISH EXPORTS--As of today, Zhejiang Province had exported more than 900 tons of fresh fish this year. Most of the fish has been exported to Japan. [Excerpt] [Hangzhou ZHEJIANG RIBAO in Chinese 28 Jul 87 p 2]

NEI MONGGOL RURAL SAVINGS, LOANS--According to statistics at the end of June, rural deposits in agricultural banks in Nei Monggol increased 81,290,000 yuan over the end of 1986; on average each month deposits increased 13,500,000 yuan. From January to June banks recalled loans worth 2.1 billion yuan, an increase of 540,000,000 yuan over the same period in 1986. From January to June, agricultural banks and credit cooperative granted 870,00,000 yuan in loans for animal husbandry, an increase of 277,000,000 yuan over the same period in 1986. [Excerpts] [Hohhot NEI MENGGU RIBAO in Chinese 31 Jul 87 p 2]

YUNNAN AFFORESTATION--As of 10 July, Yunnan Province had afforested more than 3,100,000 mu, fulfilling 73 percent of the annual plan of 4,200,000 mu. [Excerpt] [Kunming YUNNAN RIBAO in Chinese 25 Jul 87 p 1]

YUNNAN PRODUCE TRANSFERS--By June, Yunnan Province had sold 95,745,000 kilograms of produce to 95 cities in other provinces and regions this year, an increase of 61 percent over 1986. The area sown to produce last winter and this spring was more than 200,000 mu. [Excerpts] [Kunming YUNNAN RIBAO in Chinese 25 Jul 87 p 1]

SICHUAN PEASANT INCOME--According to a sample survey of 5,500 rural households in 55 counties in Sichuan Province, in the first half of 1987 peasant per capita cash income was 160.69 yuan, an increase of more than 24 yuan over the same period in 1986, or 17.91 percent (excluding savings and loans). Per capita production investment was 50.41 yuan, a 19.8 percent increase over the first half of 1986. Per capita living expenses were 98.1 yuan, an increase of 13.76 yuan over the first half of 1986, or 16.32 percent. [Excerpts] [Chengdu SICHUAN RIBAO in Chinese 26 Jul 87 p 2]

CSO: 4006/876

LEARNING FROM ADVANCED WESTERN MANAGEMENT EXPERTISE URGED

Beijing ZHONGGUO QINGNIAN BAO in Chinese 25 Jun 87 p 3

[Article by Liu Bo [2692 3134]: "Does Learning from Advanced Western Management Expertise Mean Tacit Recognition of Western Superiority?"]

[Text] Some young people have said: The fact that our socialist country has to learn advanced Western management expertise actually means a tacit recognition of Western superiority and admission of socialist shortcomings. Doesn't it precisely show that both socialism and capitalism have their merits as well as shortcomings, and that neither one could claim to be better than the other? This over-simplified way of deduction, though seemingly plausible, is actually wrong.

We need to learn advanced Western management expertise, and should persist in such learning as an important aspect of our policy of opening to the outside. Does that mean our recognition of capitalist superiority? The answer is certainly "no." The management expertise of capitalist countries is by no means a reflection of the capitalist system. It is only the result of accumulated experiences in the long process of human social development, and particularly the development of large-scale socialized production and commodity economy. This cannot be taken as any special merit of the capitalist system.

In learning the management expertise of capitalist countries, we should generally learn about the scientific division of work; the scientific organization and regulation of manpower and financial and material resources; the way to collect and analyze economic and technical information quickly and accurately; the ways and means of reacting to changes promptly so as to strengthen our adaptability; the way to raise labor productivity so as to reduce input and increase output; the way to reduce the links of circulation and to accelerate the turnover of funds; the way to improve the quality of products so as to increase our competitive power; and the way to use prices, taxes, loans, wages and other economic levers to regulate and manage the social economy. All these are objective requirements in the macro-regulation and control of social economy as well as the micro-control of enterprise operations. These experiences have been accumulated in the development of large-scale socialized production and commodity economy over long periods. They reflect the objective laws.

For large-scale socialized production, we should organize the complex and extensive system of work division by specialization into a system of mutual cooperation and mutual reliance. This scientific management expertise is gained from people's better understanding of the objective laws of socialist production and learned from experiences. It certainly cannot be regarded as a special merit of the capitalist system.

For the development of commodity economy, the law of value is the common governing principle, because of its important role in regulating the dynamics of a commodity economy. If we respect this objective law, we must also highly regard the roles of prices, taxes, loans, wages and other economic levers that are closely related to it. We must also use these levers to encourage or restrict economic activities in production, distribution, circulation, and consumption. These economic levers are necessary to socialism and for the practice of planned commodity economy. They show neither the merits of capitalism nor the shortcomings of socialism.

The experiences of capitalist countries in business operation under an open-door policy, which reflects some objective law, have become a worldwide, international knowledge transcending national boundaries, and countries under any social system are free to learn it, to use it for reference, or to conduct research in it. This applies not only to socialist countries, but also to capitalist countries because they too have to learn from one another. For example, Japan's management expertise is being eagerly learned by the United States and Britain. Then can it be claimed that Japan's social system is more advanced than those of the United States and Britain?

On the whole, the management expertise of capitalist countries is necessary for modern large-scale socialized production and for the development of commodity economy. It is also a by-product of advanced productive forces, an accumulation of human experiences in production, and a common global asset, but not necessarily related to any social system. Certainly, it does not mean any superiority of the capitalist system.

The superiority of a social system lies not in its expertise of production and business management, but rather in its ability to abolish the exploiting classes. It also depends on whether its objective of production is to satisfy people's material and cultural wants, or to serve the interests of the exploiting classes; and whether its distribution of income is based on the principle "to each according to his work" or the principle of "reaping without sowing." The capitalist system has no merit whatsoever on all these vital issues. Even its expertise in production and business management cannot remove its basic defects or help resolve the basic contradiction between socialization of production and private ownership. This is the cause of the cycles of economic crises and the innate decadence of the capitalist system. Socialism, on the other hand, was originally economically backward. Its present productive forces are fairly weak, and its experience in business management is inadequate. Yet it has its merits on these vital issues. By changing the system of private ownership under capitalism, socialism has precisely met the requirements of socialized production, for which capitalism is helpless, and has thus eliminated the "incurable disease" of capitalism.

According to the law of social development, socialism will also replace capitalism as a system. That is why it is obviously incorrect to say that both capitalism and socialism have their merits as well as shortcomings and that there should be no question of which is good and which is bad.

There are several causes for this wrong conclusion. First, some people fail to distinguish between the essence and the appearance of two social systems. Paying attention to the appearance alone will distort the view of the essence. In this way, people can see only certain outward appearances of capitalist countries, but not their decadent essence. Similarly, a person with great artistic attainments, but suffering from some incurable disease, may still be mistaken for a person in good health. Second, under the guidance of "leftist" ideology in the past, the management expertise of capitalist countries was attacked as "invariably bearing a class stamp." This way of interpreting problems have affected some people today. These people have confused management expertise with the capitalist system itself and mistaken some practical experiences and methods for a by-product of the capitalist system.

We cannot say that advanced management expertise of capitalist countries should be any indication of their advanced social system. Similarly, their advanced science and technology should be no indication of capitalism as an advanced social system.

9411  
CSO: 4005/867

LIAOWANG DETAILS SPREAD OF ILLEGAL PUBLICATIONS

HK130625 Beijing LIAOWANG [OUTLOOK] in Chinese No 30, 27 Jul 87 pp 20-21

[Article by Chen Yunzhen (7115 0061 3791) and Zhu Yu (2612 3768): "Cleanse the Filth Created by Illegal Publications"]

[Text] The Unchecked Spread of Illegal Publications

Some time ago, these reporters saw a large variety of illegal publications at bookstalls in Hunan, Hubei, Jiangxi, Shanghai, and other localities. These publications bear neither the names of publishing units nor serial numbers. Some even used non-existent publishing units, such as "Qingchun Publishing House" and "Fengguang Publishing House," and falsified serial numbers. In terms of content, some are devoted to fighting skills and love stories; others flaunt the banner of legal literature, dwelling with great relish upon details of "strange cases" and "mysteries" and methods of committing crimes; and still others are full of vulgar and obscene descriptions. Moreover, the prices of books complete with disgusting advertisements are startlingly high. Facts prove that illegal publications have developed into an evil trend, seriously polluting the social atmosphere, and have become spiritual opium poisoning young people. A comrade at a public security department told these reporters that juvenile delinquency has risen considerably in recent years and that an important reason for this is the chaotic book market. After reading novels depicting the chivalry and prowess of ancient swordsmen, which are written and printed in a rough and slipshod way, some young people engage in various activities, such as "making friends by fighting skills" and "becoming sworn brothers," arranging the seniority according to age. Some time ago, a "Snake Gang" organized by a middle school student was discovered in Jiujiang County, Jiangxi Province. Of the 12 members, 8 boys and 4 girls, the oldest is 16 years old and the youngest is 14. They called one another "dragons" or "snakes," such as "gold annular snake," "silver annular snake," and "beautiful lady snake." In Wuning County there is also a "Sky Dragon Gang" consisting of nine girls aged between 14 and 18.

A Free-flowing Underground Distribution Network

In fact, there is a free-flowing underground distribution network throughout the country. At Xunyang public security sub-bureau in Jiujiang City, Jiangxi Province, we saw a "List of National Literary Journals and Commissions Agents" published by the editorial department of GUANGHU WENYI BAI [GUANGHU LITERARY

GAZETTE] in September 1985. It listed the names, addresses, and telephone numbers of the commission agents in various parts of the country. It is said that most of the people listed are also competent salesmen and distributors of illegal publications. Beginning in 1980, with a blue plastic covered "List" in his hand, Gao Zhihua, a peasant from Jiangsu's Taixing County, went to Jiangxi's Jiujiang City to place orders for the printing of books and newspapers, as well as their sales and marketing. He frequently went to different parts of the country. In Jiangxi, Hunan, and Hubei he entrusted some printing houses with the printing over 100,000 books, such as "Mysteries" and "Body-Building and Sex," and then distributed them all over the country through his own secret contacts. Last April, the public security organ discovered in his stock room 74 illegal publications, including "The Soaring Dragon," "A Policeman's Notes," "Six Dreams," and "Body-Building and Sex," totalling over 6,000 volumes.

Last February, Yang Jun, an individual book peddler, obtained through a contact 30,000 volumes of "Licentious Spy" at the price of 1 yuan per volume. He sold 20,000 volumes of this book to Guangzhou's Welian Bookstore at 1.2 to 1.4 yuan per volume. After sharing with his partners, he derived a profit of 3,500 yuan. Later, he formed a partnership with two book peddlers from Beijing and, with the help of Lu, a staff member at the newspaper and magazine distribution department in Ezhou City's post office, printed 35,000 volumes of "Licentious Spy" at Ezhou City Printing House and Huanggang's Xinhua Printing House. The books were then sold wholesale to collective bookstores and individual book peddlers in Wuhan, Tianjin, Beijing, and Nanchang.

On 6 June, at a private bookstall on Beijing's Xuanwai Street, a male book peddler over 30 put on a "magic" show and told these reporters (we had not identified ourselves) browsing through the books there: "I have purchased books like 'Good Morning, Friends' from some individually-run book wholesalers at a discount of 15 percent. Because I have purchased a large quantity, I can sell you some at the purchase price."

The illegal publications are printed, distributed, and sold extremely quickly under "top secret" conditions. As soon as the relevant departments conduct an investigation to ascertain responsibility, the book dealers and wholesalers immediately tip one another off, reach agreements to protect one another, and quickly remove the books to a safe place. A book entitled "Female Wisdom" (written by Giichi Fujimoto of Japan), with indications that it was printed for the first time in July 1987 by the Jiujiang No 1 Printing House and distributed by Zhejiang's Wenyi Publishing House, was on sale before the printing date in an individually-run bookstall situated in a small lane opposite Beijing's National Palace of Culture. We can thus see the speed at which the book is distributed through the circulation channels.

#### Secret Printing and Publication Bases

A direct reason for the spread of such books is that, in recent years, township printing houses, state-run printing houses, and some cultural units,

in their pursuit of profits, have edited and printed illegal publications in a rough and slipshod way with no regard for social benefit [xiaoyi].

The printing trade comes under the category of special trades. In the past, it was stipulated that an industrial and commercial department would issue a business license to a printing house only after it had been strictly examined by the public security department. But because the new "Public Order Management and Punishment Regulations" do not make a clear-cut stipulation about this, various printing houses have sprung up like mushrooms in many places. They obtain industrial and commercial business licenses either by acting first and reporting afterwards or by slipping through under false pretenses, and some have no business licenses at all. A comrade at Jiangxi Provincial Publishing Bureau told these reporters: The number of printing houses in Nanchang City has increased to 376 (many of them township enterprises). According to the relevant stipulations, a printing house can print books or periodicals only when it has a permit from an official state printing unit. Because of excessive development in the printing trade and insufficient orders, all printing houses find their own ways out. If you pay them, they will dare to print anything.

With only a circular printing machine and a quarto plane printing machine, a small printing house run by Leijia Village in Jingan County, Jiangxi, undertook the printing of 15,000 volumes of "A Malignant Female" (allegedly written by Jin Yong), a novel depicting the chivalry and prowess of ancient swordsmen. What is more serious is that, after the county public security bureau, industrial and commercial bureau, and cultural bureau and township government sealed and confiscated these books, a book dealer, acting in collaboration with the secretary of the village party branch and village head, was able to take the books out and sell them in other places. In Jiujiang City, the Ruichang County Printing House, a state-owned enterprise, has several workshops, such as composing room, printing room, and bindery, and 152 employees. Because of the lack of work, from July to December 1986 it reprinted 184,374 volumes of books and periodicals such as "On the Waterfront" and "Burn, Firebird" (written by Qiong Yao), "Three Young Swordsmen" (allegedly written by Jin Yong), "Meteor on the Pastureland" (written by Liang Yushang), and "Stringless Zither" magazine, earning an illegal profit of 179,542 yuan. Last March, Wang Jilan, director of Jiangxi's Wuning County Printing House, obtained a set (three volumes) of novels "A Dissolute Swordsman" (depicting obscenities and homicide) through some book dealers. Despite the fact that the novel was banned in Guangxi, she took it back to the plant, printed it, and sold the book to the public. According to the public security department, since the beginning of this year the plant has illegally reprinted many books and magazines, deriving a profit of over 190,000 yuan. Moreover, there are also similar cases in Hubei's Huanggang and Guangji. The Jiaozuo City Printing House also printed word for word two reactionary books from Taiwan entitled "A Long, Long Life" and "Mine, Yours, Damn It."

Under the influence of bourgeois liberalization, some state publishing departments have also edited and printed books and magazines in a rough and slipshod way to acquire money. At the office of the cultural market

management commission in Nanchang City, these reporters saw a newspaper-size advertisement published by the Federation of Literature and Art Workers in Pingxiang City with the aim of marketing its journal XIANGFENG [NATIVE CUSTOMS] No 53. The advertisement contains close-ups of a naked woman's organs and some deliberately mystifying synopses. Looking through the sample issue of XIANGFENG No 53, we saw that the pages were full of provocative words. Although the magazine had been banned by Jiangxi's Provincial Propaganda Department, it is strange that we could still see it on sale in many bookstalls in Beijing some time ago.

"A bullet can kill one person but a bad book can corrupt many people." The spread of illegal publications has brought enormous harm to society. In a letter to the State Publishing Office, entitled "Sex Literature and Sex Crimes", a student from Dalian No 42 Middle School, Liaoning, said: "Literary works on sex have poisoned people's souls and caused some young people to commit crimes." The middle school student called for immediate measures to stop the spread of such works.

The State Media and Publication Office recently sponsored an "Illegal Publication Exhibition," exposing the harm of illegal publication activities with a lot of material. After visiting the "Exhibition," Hu Qili, CPC Central Committee Secretariat member, and Li Peng, vice premier of the State Council, pointed out: It is necessary to call on the entire society to expose the harm of obscene books and periodicals, to create a situation by which "when a rat runs across the street, everybody cries, 'Kill it!'", and to strictly crack down on illegal publication activities by legal means. In an interview with reporters, Du Daozheng, head of the State Media and Publication Office, said: To change the current chaotic situation, it is necessary to redeclare the printing trade as a "special trade" and put it under the joint management, supervision, and inspection of the public security department. With the exception of the publishing units approved by the state, all units and individuals are prohibited from publishing and selling books, newspapers, and periodicals.

The public security department also indicated that illegal acts, such as printing and peddling obscene publications, defrauding people of their money and belongings using a false publishing unit or using the name of a state publishing unit, falsifying the permit number of a publishing house or the registration number of a newspaper or a periodical, and engaging in black market activities to seek exorbitant profits, will be punished without mercy.

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CSO: 4005/943

MILITARY, PUBLIC SECURITY

EXHIBITION ON NATIONAL DEFENSE RESERVE FORCE ACHIEVEMENTS

SK270800 Shenyang Liaoning Provincial Service in Mandarin 2100 GMT 25 Jul 87

[Excerpts] An exhibition on the achievements of the national defense reserve forces and militia military training demonstrations, sponsored by the provincial military district to hail the 60th anniversary of the PLA's founding, was ceremoniously held on 25 July at the provincial military district's shooting range.

Twenty-three militia reserve force demonstration groups from various cities throughout the province and the armed forces departments of [words indistinct] and the college students in military training came onstage one after another to demonstrate their skills.

Watching the military demonstrations and exhibition were leading comrades, including (Wu Bingtong), director of the counsellor's office of the State Council, and (Wang Yuming), deputy director; Li Haibo, chief of staff of the Shenyang Military Region, and (Yang Boping), deputy chief of staff; Pei Guang and Ma Ying, former directors of the Political Departments; as well as leading comrades of the provincial party committee, the provincial Advisory Commission, the provincial People's Congress, the provincial Discipline Inspection Commission, the provincial government, the provincial CPPCC Committee, and the provincial military district, including Sun Qi, Li Zemin, Shang Wen, Wang Julu, Gao Zi, Luo Dingfeng, (Li Ruiying), Feng Yousong, Liu Mingjiu, Wang Youhan, and Liu Dongfan; and responsible persons of the Shenyang City party committee and the mass organizations.

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CSO: 4005/904

MILITARY, PUBLIC SECURITY

GUANGDONG MD LEADER ON MILITIA ACHIEVEMENTS

HK281111 Guangzhou Guangdong Provincial Service in Mandarin 0900 GMT 26 Jul 87

[Text] During a press conference held shortly before 1 August, Chen Tianlin, chief of staff of the Guangdong Military District, said: The Guangdong militia force, a force with a glorious revolutionary tradition, has advanced with giant strides during the promotion of reform and opening up. According to data provided by the provincial military district headquarters, the Guangdong militia force has now become smaller in numbers but more highly trained, with great enhancement of its quality. In addition to having well-trained infantrymen, the Guangdong militia force has also organized and established various arms and specialized services, including field artillery, antiaircraft artillery, signals, reconnaissance, chemical defense, and engineering units; reserves [words indistinct]; and naval and air force technical arms. The militia force has been developed from a unitary infantry system into a powerful military system with various arms and specialized services. The militia force's weapons and equipment are being modernized, its training is becoming more vigorous and of higher quality, and its training methods tend to use more audiovisual aids and electronic simulators. The militia force has become [words indistinct] a national defense reserve force with the ability to fight a people's war under modern conditions. Since 1980, Guangdong militiamen have established 150,000 specialized households and more than 100,000 specialized households doing specialized jobs in addition to crop cultivation. Guangdong has a total of 10,000 economic combined operations, with the militiamen as their main body. Guangdong militiamen have taken the lead in promoting developmental agricultural production. Regarding the building of the two civilizations, a total of 2,805 basic-level militia units in the province were commended last year by organs at and above county level as civilized or advanced units. Over the past 2 years, Guangdong militiamen have participated in a total of 137 key projects carried out by state or local authorities, and a total of 3 million militiamen have helped people tide over natural disasters.

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CSO: 4005/904

MILITARY, PUBLIC SECURITY

GUANGZHOU MR COMMANDER STRESSES FINE TRADITIONS

HK260427 Guangzhou Guangdong Provincial Service in Mandarin 0300 GMT 26 Jul 87

[Text] The Guangzhou Military Region held a report meeting yesterday to mark the 60th anniversary of the founding of the PLA. Commander You Taizhong delivered a report to some 1,400 cadres and fighters entitled "inherit and carry forward the army's fine traditions."

Commander You Taizhong stressed the glorious traditions formed in the PLA in the course of 60 years of arduous struggle. These traditions are: upholding the party's absolute leadership over the armed forces; adhering to the program of serving the people wholeheartedly; upholding the three great principles in political work; insisting on democracy in politics, economics, and military affairs; carrying forward the revolutionary spirit of arduous struggle; strictly adhering to revolutionary discipline, and so on.

Comrade You Taizhong went on to speak on how to inherit and develop the army's fine traditions in the new situation. He said: On the one hand, we must uphold the good principles of the past, and on the other, we must create new methods and sum up new experiences in light of the new situations and tasks. The activities launched in the army in recent years of training talented people for both military and civilian life and working with the people to build socialist spiritual civilization have given our fine traditions new vitality and life in the new situation.

In conclusion, Comrade You Taizhong sincerely hoped that veteran comrades will use their remaining years to do a good job in passing on their experiences, providing assistance, and leading forward the new hands. The middle-aged and young cadres should attach importance to learning and understanding the army's fine traditions and further develop the good traditions of the party and army.

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CSO: 4005/904

## ANHUI PARTY RECTIFICATION ENDS

Hefei ANHUI RIBAO in Chinese 24 Jun 87 p 1

[Article by Staff Office of Anhui Provincial Party Rectification Guiding Commission: "Work of Party Rectification Basically Ended in Anhui as Announced in Provincial Conference Held To Sum Up the Experiences"]

[Excerpts] The Provincial Conference held by the Provincial Party Committee and the Provincial Party Rectification Guiding Commission from 18 to 21 June to review the work of party rectification announced that this work has basically ended in the province.

In the spirit of the National Conference for Reviewing the work of party rectification, the participants at the meeting conducted serious discussion on the rectification which had lasted 3 1/2 years in the province. They held that under the guidance of the Party Central Committee and the Central Party Rectification Guiding Committee, and through the efforts of the party organizations at all levels and the cadres, the work of each phase had continued to improve, and that, on the whole, the tasks set by the central authorities had been basically accomplished. Some serious problems in the party had been solved; the consciousness of the party members and party cadres in upholding the line, principles and policies of the 3d Plenary Session of the 11th CPC Central Committee, and in becoming qualified party members has been enhanced; and the party committees at various levels are now more conscientiously upholding the principle that the party must control itself. All these achievements have had positive effects on the development of the two civilizations in the province. However, the development of the rectification is very uneven, and many problems still remain unsolved. The depth of rectification varies at different levels and in different sectors and units; some units including some leading organs at the upper and middle levels have not completed the four tasks of party rectification; and some of them have conducted their rectification only in a perfunctory way.

The meeting held that a careful review of the work of party rectification in the past 3 1/2 years is an important event in the party's political life. It is necessary for strengthening the party in the new period, achieving a more unified understanding in the party, and preparing us ideologically for the 13th Party Congress. At the same time, the review will provide intensive and practical education in the ideological line for the party cadres and party members, and further convince them of the importance of strengthening the party and setting right its work style. Furthermore, summing up and drawing

lessons from the experiences will help raise our theoretical level and increase our work efficiency. After their discussions, the comrades at the meeting concluded that in order to evaluate the work of party rectification in a realistic and appropriate manner, they must take the scientific approach of proceeding from reality and analyzing specific problems in specific ways. This calls for a clear understanding on our part of the party's historical environment and conditions, the tortuous road taken by the party in its development, and its actual achievements as well as existing problems. Only thus could they make a realistic evaluation.

The meeting emphasized that in party building, no time should be lost in changing its character from that of a crash job to that of a regular task, and the people must not think that everything will be peaceful after a one-time rectification. Instead of feeling relaxed, we must bear in mind that along with the intensification of the reform hereafter, the situation we face and the problems we encounter will be more complicated, and our task of party building will be more arduous.

The meeting specially discussed and studied the examination of the "three types of people," and held that although the party rectification had ended, this examination should still be continued.

9411  
CSO: 4005/871

EAST REGION

REGIONAL

TELEPHONE CONFERENCE ON COMBATING CRIME IN ANHUI

Hefei ANHUI RIBAO in Chinese 15 Jun 87 p 1

[Article by Li Changwen [2621 2490 2429]: "Provincial Party Committee Held Telephone Conference on Preserving Summer-Season Social Order; Relentless Blows on Serious Criminal Offenders To Continue"]

[Excerpts] Provincial Party Committee held a telephone conference on 12 June on the preservation of social order during the summer season.

The conference pointed out that although the present situation of social order is generally good and stable, there are still ups and downs, unevenness and instability. The number of criminal cases has dropped since the beginning of this year, but we must be prepared mentally for a protracted, complicated, and arduous struggle against the major crimes, particularly the acts of violence which pose a fairly serious threat to the people. We must have a unified understanding of the basic guiding thought in political and legal work, and of the main tasks, principles, and policies, and then formulate and implement various measures in light of the realities of local security. In line with the policy of meting out severe and swift punishments according to law, we must deal steady, accurate, and relentless blows at the serious criminals. The targets of our severe and swift punishment, according to the current realities of social order in our province, are the leaders of roving gangs that commit homicide, rape, looting, and robbery, the kidnappers of women and children for human traffic, and those who commit crimes wherever they go. All localities should organize their special crackdowns on varying scales according to the realities so that their resources can be concentrated on the places where the crimes are serious, or on the category of crimes that are rampant. Some typical cases of effective educational significance should be selected and widely publicized to ensure the success of the "relentless crackdown" and to terrify the criminals. We must also clean up the society by detecting and combating the spread of obscenity, prostitution, and gambling, according to law, and greatly strengthen the work of comprehensive control. Social comprehensive control should be organically combined with the development of socialist spiritual civilization. In line with the principle "whoever is in charge will be responsible," we must strictly enforce the system of responsibility for social order. The basic-level political power and the mass security organizations should be strengthened, and work should be stepped up for the education of young people. We should also improve the work of reformation and education through labor so that those who have been reformed and educated this way can be recommended and accepted for employment.

9411

CSO: 4005/871

## JIANGXI PARTY OFFICIAL DISCUSSES PARTY BUILDING

Nanchang JIANGXI RIBAO in Chinese 4 Jul 87 p 1

[Article: "Raise the Work of Party Building to a Higher Level; Provincial Conference for Reviewing Party Rectification Ended"]

[Excerpts] After 3 days' session, the provincial conference for reviewing party rectification ended yesterday (June 3). Liu Fangren [0491 2455 0088], deputy secretary of Provincial Party Committee spoke at the conference.

Entrusted by the party organizations of the people's higher court and the people's procuratorate of the province, Chief Procurator Wang Shuheng [3769 2885 5899] of the provincial procuratorate, reported on the proceedings of the trial of Ni Xianc [0242 3759 0374] for corruption.

Liu Fangren strongly pointed out in his speech: In party building, we must pay attention to the party's ideological building and unify the thinking of the masses of party members along the line of the 3d Plenary Session of the 11th CPC Central Committee. Therefore, we must first persist in the education of party members in the basic Marxist theories, and keep up this work as a prolonged basic task. Second, we should educate the party members in the lofty and far-reaching ideals of communism and in the current ideology. Third, we must firmly adhere to the ideological line of seeking truth from facts in education. Fourth, we must conduct education in the system of democratic centralism.

Liu Fangren also called for efforts to improve the party work style in five directions: first, further enhance our understanding; second, detect problems and solve them promptly and conscientiously; third, correct the unhealthy trends and attach greater importance to professional ethics; fourth, conscientiously overcome bureaucratism and further improve the work style of government organs; and fifth, set strict standards of party life and strengthen inner-party supervision.

9411  
CSO: 4005/871

## RESULTS OF LOCAL ELECTIONS IN SHANGHAI

Shanghai WEN HUI BAO in Chinese 20 Jun 87 p 4

[Excerpt] The election of new deputies for the people's congress at the county, township, and town levels in the municipality ended in the last 10 days of May. There are in the municipality 9,795,319 voters, and 95.46 percent of them took part in the voting. A total of 6,144 deputies for district and county congresses, and 15,195 deputies for town and township congresses were elected by votes.

These results were announced by Shen Minkang [3038 2404 1660], standing committee general secretary of the Municipal People's Congress, and deputy director of election staff office, at the 29th session of the Municipal People's Congress yesterday.

Shen Minkang said: The residents with voting rights in the municipality amount to 99.97 percent of all residents above the age of 18. This percentage includes a small number of those who have been reformed or educated through labor but given voting rights according to law. Those who are deprived of the right to vote numbered 2,669, only 0.03 percent of all voters. These figures fully reflect China's extensive socialist democracy.

He continued: In these elections, we emphasized the need for deputies of better quality. The elected deputies are generally more capable of participating in political affairs. Of the elected deputies for the district and county congresses, workers accounted for 23.52 percent; peasants, 18.19 percent; intellectuals, 21.06 percent; and cadres, 20.02 percent. Members of the PLA and the armed police, local residents, returned overseas Chinese, people of minority nationalities and religious circles, and individual laborers also accounted for a certain percentage. Of the county congress deputies, party members accounted for 73.42 percent; members of democratic parties and groups, and nonparty persons, 5.71 percent; women, 26.29 percent; and young and middle-age persons, 83.45 percent. About one-third of them were re-elected, and about two-thirds were newly elected. From the 51 universities and specialized colleges in the municipality, 90 deputies were elected for the district and county congresses. Among them were 23 student representatives in addition to some well-known scholars, specialists, professors, and leading cadres at the school and departmental levels.

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CSO: 4005/871

## GUANGDONG CIRCULAR URGES PUBLICATIONS CRACKDOWN

HK270617 Guangzhou Guangdong Provincial Service in Mandarin 0300 GMT 27 Jul 87

[Text] The provincial government recently issued a circular calling for an immediate crackdown on illegal publishing in the province. The circular said that illegal publishing activities are extremely rampant in Guangdong society at present. Certain lawless elements forge or use the names of legitimate publishing units to print or smuggle large quantities of harmful imported books, publications, and videotapes and so on, thus poisoning the social atmosphere and corrupting the masses. In particular, they seriously harm the physical and mental health of young people and juveniles. It is essential to take effective action to crack down on these activities.

The circular demanded that this crackdown on illegal publishing be carried out under the leadership and unified direction of the people's government at all levels. The provincial government has decided that the provincial media and publications bureau will coordinate the units concerned in organizing forces to carry out the work together.

The circular pointed out that it is necessary to be both resolute and careful in cracking down on illegal publishing activities. All localities must base the work on the actual conditions, seek truth from facts, and deal with different situations in a discriminating way. It is necessary to use the law, administrative controls, economic sanctions, and so on to deal swiftly and severely with a small number of elements who have broken the law to a serious degree.

/9604  
CSO: 4005/912

## HUNAN FORUM MARKS ANNIVERSARY OF MAO WORKS

HK240343 Changsha Hunan Provincial Service in Mandarin 0000 GMT 24 Jul 87

[Excerpts] To mark the 50th anniversary of the publication of Comrade Mao Zedong's "On Practice" and "On Contradiction," a forum to discuss the two works, sponsored by the provincial philosophy association, opened in Changsha yesterday. Liu Zheng, deputy secretary of the provincial party committee, attended and spoke.

Liu Zheng said: "On Practice" and "On Contradiction" represent the quintessence of Mao Zedong's philosophical thought. The best way of marking the 50th anniversary of the publication of these two works is to step up, in the new period, the research of Comrade Mao Zedong's philosophical thought, apply this thought to guide the practice of reform, and enrich and develop Mao Zedong's philosophical thought through practice.

Liu Zheng pointed out: The deepening development of reform and the four modernizations drive particularly require that we step up the research and propaganda of Marxist theory. We must pay attention to overcoming trends of attaching much importance to natural science and practical work and little to social science and theoretical work. Among theoretical workers, we must overcome the trends of studying theory for its own sake, neglecting to integrate theory with reality, and attaching much importance to researching history and little to researching the present.

Liu Zheng also gave his views on a number of questions to be resolved in adhering to and developing Mao Zedong's philosophical thought. He said: We must adhere to the universal truth in these two works. Of course, adherence does not mean becoming stagnant. The important thing is to apply Mao Zedong's philosophical thought to study new conditions and new problems in reform.

The forum will conclude on 26 July.

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CSO: 4005/912

## HUNAN TO CRACK DOWN ON ILLEGAL PUBLICATIONS

HK221034 Changsha Hunan Provincial Service in Mandarin 0000 GMT 20 Jul 87

[Text] The provincial party committee and provincial government last night held a telephone conference to make arrangements for areas throughout the province to conscientiously implement the State Council's circular on strictly cracking down on illegal publications and to promptly carry out activities of cracking down on illegal publications. Chen Bangzhu, vice governor of the provincial government, presided over last night's conference. Liu Zheng, deputy secretary of the provincial party committee, addressed the conference. During the conference, (Li Jingfeng), responsible person from the news and publications bureau, drew up a plan for relevant work on behalf of the provincial government. (Li Jingfeng) noted: All areas must extensively and deeply publicize the State Council's circular on strictly cracking down on illegal publications. General offices of local governments and propaganda departments of local party committees must take the lead in organizing joint administrative meetings of departments of news and publications and departments of radio and television, as well as departments of culture, public security, and industrial and commercial administration. These joint administrative meetings should transfer personnel to organize offices in charge of the concrete work of cracking down on illegal publications. In cracking down on illegal publications, we must go about things resolutely, steadily, and surely, strictly make a distinction between legal and illegal, and lay equal stress on eliminating poison and ensuring continuation of our flourishing publishing industry. Our crackdown on illegal publications must center on those groups or individuals engaged in reprinting, reproducing, and selling large numbers of illegal publications for the purpose of reaping staggering profits. We must also severely punish major culprits and ringleaders in this regard.

In his speech at the conference, Comrade Liu Zheng noted: We must do well in two kinds of work. First, we must organize the publication of more healthy and useful books to meet the increasing needs of the people's cultural life. Second, we must resolutely crack down on illegal publications, and ensure that there will be no disruption of the building of our socialist spiritual civilization.

Comrade Liu Zheng added: Party committees and governments at all levels must successfully publicize and mobilize the work of cracking down on illegal publications. Departments of news and publications, radio and television, public security, industry and commerce, culture, first and second light industries, posts and telecommunications, communications, and railways; customhouses; and township enterprises must take such measures as are suited to local conditions and their professional work, and establish relevant responsibility systems. During the late July to late August period this year, all areas must organize forces to spend this period of time on successfully straightening things out in the book and audio markets. Through appraisal, all illegal publications that have been confiscated must be destroyed in a unified way. In addition, we must step up implementation of relevant laws and regulations and regular inspection work, and put an end once and for all to the emergence of illegal publications.

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CSO: 4005/912

## SHENZHEN UNIVERSITY TERMED LEADER IN EDUCATIONAL REFORM

HK310731 Hong Kong ZHONGGUO XINWEN SHE in Chinese 0223 GMT 28 Jul 87

[Report by Xu Hong (1776 3126)]

[Text] Beijing, 28 Jul (ZHONGGUO XINWEN SHE)--Shenzhen University President Luo Zhengqi says that the institute of higher learning under his leadership is "imbued with childishness," because it is not yet 4 years old. Nevertheless, it is precisely on this piece of land which faces Hong Kong across the sea that an unprecedented reform of the educational system of the hinterland is being conducted.

Luo Zhengqi came to attend the opening ceremony of the "Photo Exhibition on the Environment of Shenzhen University," held in Beijing. Despite the pressure of work, he found time to give an interview. Even in Beijing, he worked with the quick tempo characteristic of the people in Shenzhen.

"What exactly is the difference between Shenzhen University and universities in the hinterland?" Evidently this question cannot be answered in a word, because the reform carried out in Shenzhen University is an overall reform involving various aspects. What Luo Zhengqi first mentioned was that "after a student graduates, he has to look for a job for himself and the school is not responsible for assigning him to any job."

"Do not belittle this item of reform," he said. "It has led to a series of profound changes in various links of the entire chain of the school, because in allowing society to choose graduates for themselves, the school has to make corresponding changes in the content of teaching, the design of the curriculum, specialized courses offered, and methods of training students. Running the school in accordance with the needs of society is the fundamental direction of our reform."

Proceeding from the needs of the construction of the Shenzhen special zone, various courses and departments of Shenzhen University are more practical than those in universities in the hinterland. The Chinese Department, for example, offers courses in specialities such as secretarial work, the mass media, and tourism and culture. Special stress is laid on training high-level versatile secretarial personnel who have a good mastery of knowledge of both Chinese and foreign culture. The first batch of graduates this

year can even drive a car, take photos, and type in both Chinese and English. They apparently are different from the "old scholars" graduated from the Chinese Departments of some universities in the hinterland.

At present, Shenzhen University has 13 departments offering 20 specialities. It has enrolled over 5,000 students, including postgraduate students and undergraduate students studying regular and special courses. Luo Zhengqi held that to meet the needs of society, more students studying special courses should be enrolled than those studying regular courses. He had even thought of setting up a secondary technical school. He said: "We cannot use only one mode for training versatile personnel. To train personnel with specialized knowledge of a subject, the more modes we use, the better."

Luo Zhengqi said: "We make an effort to foster the idea of competition. In Shenzhen University, a student who does not study hard cannot win a scholarship and even runs the risk of not being able to graduate from the university or to get a job. A teacher who does not teach well will be dismissed." The election system is implemented everywhere in Shenzhen University. The director of a dormitory, the chairman of a poetry society, the heads of the bank, post office, shop, guesthouse, flower beds, and farm run by the students themselves, and even the cadres of the students' union and the CYL are all elected and appointed through invitation. Luo Zhengqi's three secretaries are election winners and appointed through invitation. An even bolder reform is perhaps the abolition by Luo Zhengqi of the system of political instructors, which has been practiced in universities in the hinterland for several decades. Beginning from October 1984, there have been no more political instructors or class masters in Shenzhen University. Even the three traditional departments of the CPC party committee, the Propaganda, Organization, and United Front Work Departments, have also disappeared, and only the office of the CPC party committee remains. The principle of "self-discipline, standing on one's own feet, and making unremitting efforts to improve oneself" for the students to manage and educate themselves is implemented in an overall manner here. The system of leadership of the school is an extremely effective new pattern of "the CPC party committee, the university president, and the professors running the university."

Despite reproaches regarding this reform, the conclusion of both a vice governor in charge of culture and education in Guangdong Province, who quietly came to conduct investigation for over 20 days, and eight investigation groups from cities, provinces, and the central authorities, which came one after another in the first half of this year, are: "Let Shenzhen University make experiments in reform."

Shenzhen University is the only university in China not surrounded by a wall. Strictly speaking, it does not even have a gate or fences. Luo Zhengqi advocates running the school in the mode of really opening up to the outside world. However, he stressed: "While opening up to the outside world, it should maintain its lofty attitude, that is, it should become a

small advanced society within the larger society of the special zone. Only in this way can we prevent filthy water from flowing into the school." This outstanding graduate of the Architecture Department of Qinghua University in the 1950's expressed this idea in lyric language, saying: "A university should be a vast oasis. An oasis is always beautiful, glittering with faculae and full of vitality."

Shenzhen University today is perhaps the tomorrow of some universities in the hinterland. May more oases appear on the campuses of institutions of higher learning on the mainland in the near future.

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CSO: 4005/912

## CHARACTERISTICS OF SOCIALISM IN INITIAL STAGE DESCRIBED

Chengdu SICHUAN RIBAO in Chinese 2 Jul 87 p 4

[Article by Tang Lebin [0781 3157 6333]: "Correctly Understand the Characteristic of Socialism in Its Initial Stage"]

[Text] What are the characteristics of socialism in its primary stage? A clarification of this question will be of very real significance to a correct understanding of our national conditions, the proper formulation and implementation of current policies, and the acceleration of the reform and the four modernizations.

First, the productive forces are weak, and the newly established relations of social production are far from perfect. Economically, these are the most fundamental and most important characteristics of socialism in its primary stage. The type of socialism envisioned by Marx and Engels more than 100 years ago was based on a fairly typical and fairly well developed capitalist society, whereas China's socialism was born in a semicolonial and semifeudal society with numerous deep-seated "remnants of the old society." Socialism is the primary stage of communism, and now, we are in the primary stage of socialism. The economic backwardness at this stage is not only closely related to the realities of our work, but also has its deep social and historical roots. Relations of production are the sum-total of human relations in the realms of production, distribution, exchange, and consumption, with ownership of the means of production as its foundation. The newly established socialist relations of production, which should correspond to the development of productive forces and are restricted by the level of such development, are far from perfect. With regard to the structure of the ownership system, for example, we can neither practice the system of public ownership by the whole society as envisioned by Marx and Engels, nor limit its scope within the two systems of state and collective ownership as envisioned by Stalin. As for the system of distribution, our adoption of a public ownership system makes it necessary and possible to set up the system of distributing the means of personal consumption according to work done. However, because we still cannot practice the system of ownership by the whole people singly or to adopt a single form of business operation, and because our economic standards are still low, it is impossible for us to adopt the form of a single-level distribution throughout the society as Marx expected.

Therefore the system of distribution according to work done has to take different forms and at different levels, and certain elements inconsistent with this system are unavoidable. These are some of the characteristics. The economic base is determined by the superstructure, while the superstructure must serve the economic base. Other characteristics manifested during the primary stage of socialism are all derived from this relationship, and these characteristics will regulate and promote one another.

Second, in the political aspect, an important characteristic of socialism in its primary stage is the state power we have founded under the people's democratic dictatorship and the extensive freedom and democratic rights enjoyed by the people. However, socialist democracy has to be further developed, while the democratic and the legal system have to be further strengthened. After the establishment of a socialist system and the elimination of exploiting classes as such, class struggle is no longer the principal contradiction in our society. However, in view of the existence and effects of many domestic and international issues, class struggle will remain to a certain extent for a long time. A state power under the people's democratic dictatorship has to develop democracy and protect the people on the one hand, and to combat crimes and subversive acts and exercise dictatorship on the tiny number of class enemies on the other. At the same time, we must understand that what we have inherited from old China was a patriarchal system lacking in democratic tradition or legal system, but replete with bureaucratism and over-concentration of power. Long and arduous efforts are required to change these phenomena.

Third, in ideology and culture, an important characteristic of socialism in its primary stage is the leading position of Marxism-Leninism-Mao Zedong thought, the gratifying results of socialist spiritual civilization, and people's higher ideological level. However, the development of science and education is still inadequate. There are many illiterates and semi-illiterates, and the effects of corrosive ideas of feudalism and capitalism will remain for a long time. The task of socialist spiritual civilization is still an arduous one.

In short, the characteristics of socialism in its primary stage are most basically and vividly shown by China's fairly backward economy and culture along with the establishment of a socialist system. Relying on the superiority of socialism, therefore, we must vigorously develop our social productive forces in order to promote the development and consolidation of the socialist system. This is the important guideline for us to understand and to solve all economic, political, and social problems.

In our party and society now, some comrades are not clearly aware of these problems and do not uphold this important guideline. There has been a spate of bourgeois liberalization in recent years, during which some people attacked us for having skipped the stage of capitalist development and directly entering a socialist society. They called for "learning about capitalism from the very beginning," and going back to capitalism. Some other people holding outdated, rigid, and ossified views of socialism believe that the program of reforming the economic structure, opening to the outside world, and invigorating the domestic economy is now running counter to socialist

principles, or "going in for capitalism." Both of these wrong ideas, as a question of ideology and understanding, are attributed to the same cause, namely, their ignorance of China's historical background and present conditions, and of the fact that China is now in the primary stage of socialism. To put it plainly, they forget that China was originally a semicolonial and semifeudal country; that the foreign powers did not permit China to take the capitalist road; and that under CPC leadership, and through the victory of the new democratic revolution and the socialist reform of the system of ownership of the means of production, entering the socialist society by skipping the capitalist society is a historical necessity independent of the people's will. The former view of "learning about capitalism from the very beginning" and going back to capitalism is certainly a historical backward-pull. Those holding the latter view, however, ignore the reality that China's socialism was built on the debris of a semicolonial and semifeudal society with weak productive forces and economic and cultural backwardness, and consider certain subsequent changes as socialism to be dogmatically enforced. Having a firm faith in the superiority of socialism and yet squarely facing the backward productive forces in the primary stage of socialism, our party has decided to liberate and develop our productive forces through the program of reforming the economic structure, opening to the outside world, and invigorating the domestic economy, in order to consolidate and develop our socialist system. The reform and the development of socialism are identical, because the reform has a socialist character, and its aim is precisely to uphold and develop the socialist system. Therefore, as long as we correctly understand our national conditions in the primary stage of socialism, we will also understand the essence and significance of the reform now going on in China, and will be able to draw a clear demarcation line between ourselves and those with ideas of bourgeois liberalization, which rejects the socialist system, and those whose erroneous views are attributed to their ignorance of the present conditions of China's productive forces and who discredit or deprecate the reform.

9411  
CSO: 4005/868

## CAUSES, CHARACTERISTICS OF ECONOMIC CRIMES

Beijing ZHENGFA LUNTAN [POLITICS AND LAW TRIBUNE] in Chinese No 2, April 87  
pp 49-55

[Article by Wei Pingxiong [7614 1627 7160]: "On the Causes of Economic Crimes in the New Period"]

[Excerpts] During the new historical period of reforming the economic structure, opening to the outside world, and invigorating the domestic economy, the so-called economic crimes refer to the activities of jeopardizing the socialist economy and the social relationships that are protected by China's criminal law. Specifically, they refer to the acts of graft, bribery, smuggling, speculation and profiteering, swindling, stealing public property, and other crimes in the economic field. These crimes have markedly increased during the transition from an old to a new system in a historical era, and the extent of the harms they caused have reached an unprecedented degree. According to statistics, the number of economic cases continued to increase from 1983 to 1985. In 1985, the number was 3.6 times that of 1983 and 3.06 times that of 1984.

At present, the serious economic crimes have the following distinctive characteristics:

1. Graft, bribery, and the use of economic contracts for speculation and swindling are very conspicuous, all involving huge sums. Their seriousness far surpasses those committed during the "movement against three evils" and the "movement against five evils" of the past. In those days, acts of corruption involving more than 1,000 yuan were called "small tigers," and those involving more than 10,000 yuan were called "large tigers." Now, there are bribery cases involving more than 100,000 yuan, cases of corruption involving more than a million yuan, illegal dealings in foreign exchange involving more than 10 million yuan, and the use of economic contracts for speculation and swindling involving more than 100 million yuan.

2. Legal entities have become the media of natural persons' crimes. They are directly participating in various economic crimes in the capacity of independent entities. For example, in the name of "companies," "centers," and

"commercial firms," they have used economic contracts or fabricated contracts for speculations, swindling, covert or overt tax evasion, faking trademarks, manufacturing and selling imitation drugs and liquors, and so forth.

3. Some state-owned or collective enterprises and institutions, and some state organs have collaborated with unscrupulous elements in society or unscrupulous foreign merchants in illegal dealings by taking advantage of one another at different levels and looking for loopholes in our policies or systems of management.

4. There are very conspicuous instances of government personnel abusing their power in economic crimes. For example, 30 percent of the offenders in such crimes committed in Beijing from 1982 to 1985 were party cadres. In Tianjin, 62.7 percent of the offenders in cases of graft tried in 1985 were cadres.

5. Some people with an unsavory histories are being looked upon by some units as "capable persons," "pioneers," or a "ready source of money." These people are entrusted with important tasks and given great power, and are able to resume their criminal activities like fish returning to sea.

9411  
CSO: 4005/838

PRC MEDIA ON TAIWAN AFFAIRS

PEOPLE COMPLAIN ABOUT TAIWAN BALLOON OPERATIONS

OW251303 Beijing in Mandarin to Taiwan 1500 GMT 22 Jul 87

[Text] In the past 2 months, the Taiwan authorities sent out large numbers of floating materials by air and sea in disregard of the common interests and wishes of the people on both sides of the Taiwan Strait. The action has aroused strong indignation among fishermen on the mainland and Taiwan.

Some of the air balloons have fallen into the sea. These balloons and the sea floats sometimes entangled fishing nets and hampered fishing operations. This has created problems for fishermen trying to engage in normal production.

An old fisherman living in Nanao said: The Taiwan authorities' action has disrupted normal operations at sea. The action, which runs counter to the common wishes of the people on both sides of the Taiwan Strait, is very unwise.

Mr (Ai Zi), a fisherman from Taiwan who sought shelter from the wind on Nanao Dao in mid-May, said: The people on both sides of the strait are descendants of Emperor Huang Di, and they all aspire to live in peace and contentment. They wish to improve their feelings of flesh and blood toward each other and end the state of separation that has lasted for several decades. Instead of taking this overall interest into consideration, the Taiwan side is resorting to demeaning tricks. We also resent this action.

/9599  
CSO: 4005/925

TAIWAN

TAIPEI REJECTS MAINLAND CLAIMS OF BALLOON BOMBS

OW270522 Taipei International Service in English 0200 GMT 27 Jul 87

[Station commentary]

[Text] The communists, be they in Moscow, Peking, or somebody else's backyard, really come up with some humdinger pieces of misinformation and disinformation. One of Moscow's greatest hits of disinformation now in circulation concerns the source of the dreaded AIDS virus. Scientists worldwide, including the Soviet Union, agree that the virus probably originated with a green monkey somewhere in the Sudan or some other part of northern Africa. Yet Soviet health experts in the Kremlin propaganda department claim that the virus came from an Army base in the United States where the Americans perform bacterial weapons experiments. This juicy tidbit of disinformation is the only thing spreading around the world quicker than AIDS itself, thanks to the KGB.

Perhaps envy of Moscow's ingenious disinformation campaign is the cause behind Peking's latest dabbling in media planted lies. Last week, the PEOPLE'S DAILY, the official mouthpiece of the Chinese Communist Party, reported that the free Chinese on Taiwan were sending balloons loaded with trip bombs over to the Chinese mainland. The paper cited a report in a pro-communist newspaper in Hong Kong that claims one such balloon bomb failed to reach its intended destination on the Chinese mainland and ended up instead in Hong Kong. The paper said police authorities in Hong Kong suspected the balloon came from Taiwan.

The same PEOPLE'S DAILY article said that the, quote, Ministry of Public Security, unquote, in Communist China warned people not to handle suspicious packages dropped by balloon from Taiwan. It said the packages might carry explosives.

All this makes for an interesting spy thriller, but we have not heard a whopper like this in years. The fellow sitting at the creative desk in the department of disinformation in Peking must have downed a Snickers bar and five cans of Coke before thinking up this one.

Now for the real story without disinformation bombs. Yes, the Republic of China on Taiwan does send balloons to the Chinese mainland. And yes, there

are goodies in the balloons. And yes, the people in mainland China are supposed to pick up the goodies, which include, among a list of thousands of household items, electric shavers, walkmans, ball-point pens, cotton socks, and cigarettes.

The Republic of China on Taiwan has been playing Santa Claus like this for years, hoping to bring at least a minimum of cheer to our poverty stricken compatriots on the Chinese mainland. The balloons are loaded with household goods, and sent from Kinmen, the island fortress located less than a mile off the Chinese southeast coast. Intelligence feedback indicates year-in and year-out that people who find the balloons are grateful for the care packages sent by their Taiwan compatriots.

Which brings us, not surprisingly, to the real intent behind Peking's disinformation campaign about the booby-trapped balloons. Understandably, the Chinese Communists do not like the balloons. Understandably, the Chinese Communists do not like the balloon care packages coming from Taiwan, and they specially do not like people on the mainland to pick them up. So, what do they do? Naturally, they tell the people the balloons are rigged with bombs and to stay away from them. The warning is leaked to the foreign press, and before you know it, a disinformation campaign is off and running.

What next from Peking's disinformation mill? Balloons booby-trapped with an AIDS virus bought from a U.S. Army base? We would not put it past them.

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TAIWAN

TAIWAN TO LIFT BAN ON HONG KONG, MACAO TRIPS

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[Text] Taipei, 16 Jul (AFP)--Taiwan will soon lift a ban on its citizens visiting Hong Kong or Macao as their first stops in overseas pleasure trips, following the liberalisation of foreign exchange controls, Premier Yu Kuo-hwa said Thursday.

The cabinet ordered the suspension of exit permits for trips to Hong Kong and Macao in April 1979, to protect the country's foreign exchange reserves at a time when many tourists were found to have made illegal foreign exchange transactions, Mr Yu said.

Exit permits for business, conferences, studies, official duties, and other non-sightseeing purposes to the two places are still granted and people are able to visit them via a third place.

The Taipei government started allowing residents to make overseas sightseeing trips in 1979 and applications to Hong Kong at that time accounted for almost half of all applications, he added.

The restrictions had not discouraged people's interest in the two places, Mr Yu noted, and the number of tourists had been increasing over the years.

Figures also show that 312,000 people went abroad for sightseeing in 1979, the first year authorities permitted individuals to make such trips, and 31 percent of them visited Hong Kong.

Now that foreign exchange controls had been greatly relaxed, the travel restrictions should also be removed, Mr Yu said. An increasing trade surplus has pushed Taiwan's exchange reserves to a record 60.7 billion U.S. dollars this week.

The authorities Wednesday reduced most foreign exchange controls, allowing individuals to hold, buy, and sell foreign currencies in local banks and send more money abroad.

However, the premier warned Taiwan's Tourism Bureau and the Bureau of Entry and Exit to "handle with care and enforce supervision" against the "complicated environment in Hong Kong and Macao."

Observers noted that many believed the suspension move was prompted by fear that many residents might visit China from Hong Kong and Macao.

The Taipei government forbids its people to make direct contact with the Chinese and has consistently rejected Beijing proposals to establish direct trade, postal, and communications links.

But despite the ban, several thousand people, mostly senior Chinese who came to Taiwan with the Nationalist troops in 1949, visit their relatives on the mainland through Hong Kong, Japan, Singapore, Thailand, the United States, and other places each year.

Current laws stipulate that anyone who is found to have travelled to mainland China would not be permitted to leave the country, but the authorities have rarely applied the rule in recent years, observers said.

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TAIWAN

PRESIDENT CHIANG PRESIDES OVER KMT MEETING

OW281105 Taipei CHUNG KUO SHIH PAO in Chinese 23 Jul 87 p 1

[Excerpt] On 22 July, Chairman Chiang of the KMT pointed out that promoting the new policy of democratic and constitutional reform is the established policy of the ruling party and that it will never change under any circumstances. He expects that the Standing Committee of the party Central Committee, as the highest decisionmaking organ of the party, will do its best to offer collective wisdom, and will improve and perfect the party's policies and decisions, making them more in tune with the welfare and interest of the people and the state.

Chairman Chiang presided over yesterday's routine session of the Standing Committee of the party Central Committee. He made the above remark after hearing a report from Chao Tzu-chi, secretary general of the Central Policy Committee, on the 79th Legislative Yuan Session. Chairman Chiang also expressed appreciation for comrade legislators who showed great perseverance and patience to help pass some historical and epoch-making legislations.

Chairman Chiang said he closely observed the whole Legislative Yuan Session, whose operational process, he noted, was quite different from previous sessions. He said: We should be more communicative, seek coordination, and solicit people's views in future policymaking. As to correct policy, we must implement it and not be swayed by any factors.

Chairman Chiang noted that too few viewers were aired at the Standing Committee meeting and that the purpose of the meeting was thus less well served. From now on, the Standing Committee of the KMT Central Committee should properly play the function of being the highest decisionmaking organ of the party, ensuring that the policies or decisions adopted by the Standing Committee of the party Central Committee are correct, perfect, and the work of collective wisdom. He hoped the party's Standing Committee members will consider this and improve.

Yu Kuo-hua, Standing Committee member of the KMT Central Committee and premier, also spoke at the meeting. He said: The Legislative Yuan passed several major and epoch-making items of legislation during the session. He thanked comrade legislators and members of the Central Policy Committee for working on the legislation and contributing to the state by passing them.

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